

See
inside for
details of virtual
meeting

ImperialTM
MOTUS
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Notice of the Annual General Meeting

TO BE HELD ON 29 SEPTEMBER 2020

Including the annual financial statements
for the year ended 31 December 2019

IMPORTANT NOTICES TO ALL MEMBERS

TWENTY-FOURTH ANNUAL GENERAL MEETING

Notice is hereby given that the twenty-fourth Annual General Meeting of Members of the Imperial and Motus Medical Aid will be held on Tuesday, 29 September 2020 at 09:00.

The Scheme has made provision for members or their proxies to participate in the meeting by way of an electronic platform hosted by The Meeting Specialist (Pty) Ltd – TMS. Should you or your proxy wish to participate, please complete the enclosed form and email it to TMS at proxy@tmsmeetings.co.za by no later than 10:00 on Monday, 21 September 2020.

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

UNDESIRABLE BUSINESS 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 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 11 July 2019.

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 2019.

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 69** and **70**).

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 Chairman to vote on your behalf. A proxy form is included on **page 71**.

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

BY ORDER OF THE BOARD OF TRUSTEES

A handwritten signature in blue ink, appearing to read "Johannes Jacobus van der Walt".

Johannes Jacobus van der Walt
Principal Officer
Imperial and Motus Medical Aid

MINUTES OF THE TWENTY-THIRD ANNUAL GENERAL MEETING

OF THE IMPERIAL GROUP MEDICAL SCHEME HELD IN THE BOARDROOM
AT MOTUS HEAD OFFICE, 1 VAN BUUREN ROAD, CORNER OF VAN DORT
STREET AND GELDENHUIS ROAD, BEDFORDVIEW, ON 11 JULY 2019 AT
15:00

WELCOME AND APOLOGIES

Mr. Janse van Rensburg welcomed everyone present. A quorum was present in terms of the rules of the Scheme and the meeting was properly constituted. Twenty-three 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 12 JULY 2018

The minutes of the Annual General Meeting held on 12 July 2018 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.

PROPOSED: Mr. J van Vuuren

SECONDED: Ms. L Robinson

2. ADOPTION OF REPORTS AND ACCOUNTS

The Report of the Board of Trustees, including the Auditor's Report and the statement of accounts for the year ended 31 December 2018, was 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.

PROPOSED: Ms. A Gibson

SECONDED: Mr. R Mumford

3. APPOINTMENT OF AUDITORS

Mr. Janse van Rensburg informed the members in attendance that the Audit Committee proposed and recommended the re-appointment of Deloitte & Touche at the 11 April 2019 Audit Committee Meeting. The proposal was **accepted** by the attendees and Deloitte & Touche was re-appointed for the ensuing year.

PROPOSED: Mr. J van der Walt SECONDED: Ms. P Fiddes

4. APPOINTMENT OF TRUSTEES

Mr. Janse van Rensburg informed the meeting that one of the Member Elected Trustees, Ms. A Sarria had reached the end of her three-year term and indicated her availability for re-election. The Scheme received one nomination and 31 proxies for Ms. Sarria. There being no other nominations for a Member Elected Trustee, Ms. Sarria was re-elected for a further term of three years.

5. OTHER BUSINESS

There being no further discussions, the Chairman closed the meeting.

Chairman

Date

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Registration number: 01559

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

Imperial and Motus Medical Aid
NMG House
411 Main Avenue
Randburg
2194

REPORT OF THE BOARD OF TRUSTEES

Registration number: 01559

The Board of Trustees hereby presents its report for the year ended 31 December 2019.

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

OJ Janse Rensburg	Employer representative: Chairman
PRW Meier	Employer representative
R Mumford	Employer representative: Appointed 1 January 2019
ADSS Sarria	Member representative
PMAS Fiddes	Member representative
JD Berman	Member representative
S Tewary-Ahmed	Alternate member

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. MANAGEMENT (CONTINUED)

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

The Scheme's Administrator changed its name from MMI Health (Pty) Ltd to Momentum Health Solutions (Pty) Ltd effective 6 August 2019.

Momentum Health Solutions (Pty) Ltd

268 West Avenue	PO Box 7400
Centurion	Centurion
0157	0046

Accreditation number: 13

2.5 Investment managers during the year

Coronation Asset Management (Pty) Ltd

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

Financial Service Provider Number: 548

Investec Asset Management SA (Pty) Ltd

36 Hans Strijdom Avenue
Cape Town
8001

Financial Service Provider Number: 587

Stanlib Asset Management (Pty) Ltd

17 Melrose Boulevard
Melrose Arch
Johannesburg
2196

Financial Service Provider Number: 719

2. MANAGEMENT (CONTINUED)

2.5 Investment managers during the year (continued)

Sygnia Asset Management (Pty) Ltd

7th Floor, The Foundry
Cardiff Street
Cape Town
8001

Financial Service Provider Number: 873

2.6 Investment consultant and advisor during the year

Sygnia Asset Management (Pty) Ltd

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

Financial Service Provider Number: 873

2.7 Actuary

Mr Gary Scott (B.Sc FASSA)

NMG Consultants and Actuaries (Pty) Ltd

NMG House
411 Main Avenue
Randburg
South Africa
2160

2.8 Auditors

Deloitte & Touche

1 st 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 2019.

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 – 2019

	2019 IMPERIALMED HEALTH PLAN	2019 IMPERIALMED BUDGET PLAN	2019 TOTAL	2018 IMPERIALMED HEALTH PLAN	2018 IMPERIALMED BUDGET PLAN	2018 TOTAL
Number of members at the end of the year	6 633	827	7 460	6 891	810	7 701
Average number of members for the year	6 832	810	7 642	6 948	772	7 720
Number of beneficiaries at the end of the year	15 527	1 570	17 097	16 137	1 539	17 676
Average number of beneficiaries for the year	16 034	1 541	17 575	16 289	1 441	17 730
Average age per beneficiary	30	26	30	30	26	29
Dependent ratio to members at 31 December	1,34	0,90	1,29	1.34	0.90	1.30
Pensioner ratio	3,56%	1,85%	3,40%	3.30%	1.82%	3.09%
Average net contributions per member per month	R4 774	R2 438	R4 526	R4 463	R2 297	R4 247
Average net contributions per beneficiary per month	R2 034	R1 282	R1 968	R1 904	R1 231	R1 849
Average relevant healthcare expenditure per member per month	R4 217	R1 674	R3 861	R4 277	R1 690	R3 937
Average relevant healthcare expenditure per beneficiary per month	R1 797	R880	R1 679	R1 824	R905	R1 714
Average administration cost per member per month	R272	R272	R272	R262	R262	R262
Average administration cost per beneficiary per month	R116	R143	R118	R112	R140	R114
Average healthcare management expense per member per month	R86	R86	R86	R81	R81	R81
Average healthcare management expense per beneficiary per month	R37	R45	R37	R35	R44	R35
Non-healthcare expenditure per average beneficiary per month	R116	R143	R119	R111	R140	R114
Non-health administration expenses as a percentage of gross contribution income	5,72%	11,19%	6,03%	5.85%	11.36%	6.15%
Gross claims as a percentage of gross contributions	88,33%	68,63%	87,21%	95.82%	73.56%	94.62%
Average accumulated funds per member at 31 December	R58 889	R58 889	R58 889	R48 650	R48 650	R48 650
Return on investments as a percentage of investments	8,08%	8,08%	8,08%	-2,25%	-2,25%	-2,25%

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 a decrease in membership during 2019. It is mainly due to staff retrenchments.

5.3 Solvency ratio

The solvency ratio is calculated as follows:

Total members' funds per statement of financial position

439 315 125

374 653 433

Less:

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

(38 723 260)

(10 461 596)

Accumulated funds per regulation 29

400 591 865

364 191 837

Gross contributions

415 088 340

393 412 685

Accumulated funds ratio

96,5%

92,6%

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

5.4 Reserve accounts

Movements in the reserves are set out in the statement of changes in funds and reserves on page 24.

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

5.5 Outstanding claims

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

6. ACTUARIAL SERVICES

The Scheme's actuaries have been consulted in the determination of the contribution and benefit levels, as well as the calculation of the Incurred but not Reported Claims Provision.

7. CONTINGENCIES

There were no potential liabilities contingent on the outcome of litigations, claims, guarantees or suretyships at 31 December 2019.

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

The outbreak of the coronavirus during mid-January has disrupted the global economic markets. In making their estimates and judgements as at 31 December 2019, the Trustees took into consideration the economic conditions and forecasts as at that date. The Board of Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

At year-end, 36% of the Scheme's assets were invested in cash with 44% exposed to local equity markets, including property. While the cash investments will be largely unaffected, the equity portion of the investments will decrease. The Sygnia Life portfolio, in which the Scheme is invested, includes equity and property exposure. The market value of the investments has decreased by 9.1% since December 2019 (31 December 2019: R299 301 567; 30 April 2020: R271 985 894).

Based on the actuarial modelling performed by NMG, Imperialmed could incur costs of:

- » Up to R3.1 million in respect of testing and treating all diagnosed cases for those who meet the NICD criteria; and
- » Up to R2.4 million in respect of hospitalisation for the severe cases, noting that this is mitigated by likely capacity constraints in hospitals in high transmission rate scenarios.

These costs amount to around 1.3% of the total Imperialmed contribution income as projected for 2020, but we would expect that the containment measures announced by Government would contribute to bringing transmission rates and costs down.

9. EVENTS AFTER REPORTING DATE (CONTINUED)

The potential impact that the pandemic will have on the Scheme's participating employers was also considered, but it was deemed to be too early to make an assessment.

The allowance for expected credit losses as at 31 December 2019 have been based on incurred events at balance sheet date. Given that the disruptions only occurred in March 2020, the amount recognised as at 31 December 2019 remains unchanged.

Provision for outstanding claims, as disclosed in note 5, is an estimate of the ultimate costs of settling all claims incurred that have occurred before the end of the reporting period, but have not been reported to the Scheme. Given the fact that the risk claims provision as at 31 December 2019 relates to 2019 and prior, the claims provision remains unchanged.

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

In addition, the financial reporting impact of COVID-19 will be considered in the 2020 financial statements.

The Imperial Group Medical Scheme changed its registered name to Imperial and Motus Medical Aid effective 1 April 2020.

There have been no other events that have occurred between the end of the accounting period and the date of the approval of these Annual Financial Statements, other than items listed above, 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 17 to the 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 Chairman, are not officers of the Scheme or its third-party administrator.

11. AUDIT COMMITTEE (CONTINUED)

The Committee met on two occasions during the course of the year as follows:

- » 11 April 2019; and
- » 6 November 2019.

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

In accordance with the provisions of the Act, the primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems and financial reporting practices. The internal and external auditors formally report to the Committee on critical findings arising from audit activities.

The committee comprises:

- » Mr R Mumford (Chairman)
- » Mr PRW Meier (Member representative)
- » Mr CFP de Klerk (Employer representative): Resigned 11 April 2019
- » Mr JG de Beer
- » Mr G Rudman: Appointed 20 February 2019, resigned 31 August 2019
- » Mr U Ragunanund: Appointed 5 June 2019
- » Ms B Francis: Appointed 1 September 2019

No fees were paid to the Audit Committee members in 2019.

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
Board of Trustee (BOT) members						
OJ Janse van Rensburg Appointed as Chairman 1 January 2019	3	3	1	1	1	1
PRW Meier	3	2	1	1	1	1
R Mumford Appointed Employer Elected Trustee 1 January 2019	3	3	1	1	1	1

12. TRUSTEE MEETING ATTENDANCE (CONTINUED)

	TRUSTEE/ CONTRIBUTION REVIEW MEETINGS		ANNUAL GENERAL MEETING		BENEFIT REVIEW	
	A	B	A	B	A	B
Board of Trustee (BOT) members						
ADSS Sarria	3	3	1	0	1	0
PMAS Fiddes	3	2	1	1	1	1
JD Berman	3	3	1	1	1	1
S Terwary-Ahmed (alternate)	3	3	1	1	1	1

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

	AUDIT COMMITTEE MEETINGS	
	A	B
Audit committee members		
R Mumford (Chairman)	2	2
PRW Meier	2	1
JG de Beer (C)	2	1
U Ragunanund (C): Appointed 5 June 2019	1	1
B Francis (C): Appointed 1 September 2019	1	1
G Rudman: Appointed 20 February 2019, resigned 31 August 2019	1	1
CFP de Klerk: Resigned 11 April 2019	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

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

Corrective action

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

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

Nature and impact

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

Causes for the failure

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

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

Corrective action

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

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

13. NON-COMPLIANCE MATTERS (CONTINUED)

Contravention of Section 8(1)

Nature and impact

Regulation 8(1) of the Medical Schemes Act No 131 of 1998 states that: Subject to the provisions of this regulation, any benefit option that is offered by a medical scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions. One PMB claim line was not paid in full or at cost.

Causes for the failure

The claim appeared on the review report, however due to a backlog in reviewing the report, it was not actioned timeously.

Corrective action

The claim has subsequently been reviewed, a benefit authorisation created and the claim reprocessed.

Contravention of Section 36(11)

Nature and impact

Section 36 (11) states that the majority of the members, including the Chairman of the Audit Committee, shall be persons who are not officers of the medical scheme or the administrator of the medical scheme, the controlling company of the administrator or any subsidiary of its controlling company.

Causes for the failure

The Chairman of the Audit Committee was appointed to the Board of Trustees effective 1 January 2019 as an Employer representative, which resulted in the non-compliance with this Section of the Act.

Corrective action

The Chairman of the Audit Committee stepped down and was replaced by an independent member effective 31 March 2020.

Chairman

Trustee

Principal Officer

Date: 14 May 2020

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation, integrity and fair presentation of the financial statements of Imperial Group Medical Scheme, comprising the statement of financial position at 31 December 2019, the statement of comprehensive income, the statement of changes in funds and reserves, the statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act of South Africa.

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

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

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

Imperial 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 financial statements. The Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the Scheme.

The Scheme's external auditors are responsible for auditing the financial statements in terms of International Standards on Auditing and their report is presented on pages 16 to 21.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The financial statements of Imperial Group Medical Scheme set out on pages 22 to 67 as identified in the first paragraph, were approved by the Board of Trustees on 14 May 2020 and are signed on its behalf by:

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 administrator. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

All Trustees have access to the advice and services of the principal officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

INTERNAL CONTROL

The administrators of the Scheme maintain internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.

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

The control objectives that were not achieved have been noted as have the action points initiated by the administrator to rectify these weaknesses. The Trustees agree with the conclusion reached by the administrator that overall operational control was achieved in 2019.

Chairman

Trustee

Principal Officer

Date: 14 May 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Imperial Group Medical Scheme

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 8 to 38, which comprise the statement of financial position as at 31 December 2019, 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 2019, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (revised November 2018) (together the IRBA Codes) and other independence requirements, as applicable, to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Codes and in accordance with other ethical requirements, as applicable, to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Please note that this report is an extract from the Annual Financial Statements presented to the Council for Medical Schemes and that the financial statements presented here, while being an accurate reflection of those statements, can be found on pages 22 to 67 of this publication and not on pages 8 to 38, as mentioned in the report by Deloitte & Touche.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

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.

FINANCIAL STATEMENT ITEM	KEY AUDIT MATTERS	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p>OUTSTANDING CLAIMS PROVISION</p>	<p>IFRS requires the Scheme to make provision for all future cash outflows for which a past event has occurred. In doing so the Scheme calculates a best estimate of claims payments for claim events occurring prior to year-end but for which the Scheme has not been notified.</p> <p>The amount is disclosed on the face of the statement of financial position as well as in note 7 of the Financial Statements.</p> <p>This matter is considered a key audit matter as the underlying calculation requires the use of significant assumptions, estimates and judgement by management.</p>	<ul style="list-style-type: none"> • We assessed the competence of the person and organisation performing the calculation; • We performed testing on the claims listing post year end to ensure that it is accurate and complete; • We performed a reasonability test on the IBNR by obtaining the value of claims paid in the first 3 months post year end with service dates in 2019 but submission dates in 2020, which we then compared to the IBNR recorded and recommended adjustments where necessary; • We challenged key assumptions over future claims to be paid and the calculation methodology therein; and • We engaged with management around the rationale for any adjustments or decisions over and above the numeric calculation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

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

Other Information

The Scheme's Trustees are responsible for the other information. The other information comprises 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 THE FINANCIAL STATEMENTS (CONTINUED)

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 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 twelve years.

The engagement partner below has been responsible for the audit for two years.

A handwritten signature in black ink, appearing to read "Brian Botes".

DELOITTE & TOUCHE

Registered Auditor

Per: Brian Botes

Partner

14 May 2020

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	2019 R	2018 R
ASSETS			
Non-current assets			
Financial assets at fair value through profit and loss	2	299 301 567	242 060 843
Current assets			
Trade and other receivables	3	167 193 946	160 786 072
Cash and cash equivalents	4	3 484 413	7 425 994
		163 709 533	153 360 078
Total assets		466 495 513	402 846 915
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		439 315 125	374 653 433
		439 315 125	374 653 433
Current liabilities			
Outstanding claims provision	5	27 180 388	28 193 482
Trade and other payables	6	15 375 190	14 380 159
		11 805 198	13 813 323
Total funds and liabilities		466 495 513	402 846 915

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		R	R
Net contribution income	7	415 088 340	393 412 685
Relevant healthcare expenditure		(361 990 642)	(372 243 769)
Net claims incurred	8	(354 089 151)	(364 723 361)
Claims incurred		(354 854 970)	(365 181 574)
Third party claim recoveries		765 819	458 213
Managed care: management services	9	(7 901 491)	(7 520 408)
Gross healthcare result		53 097 698	21 168 916
Administration and other expenses	10	(24 914 481)	(24 237 823)
Net impairment on healthcare receivables	11	(117 576)	48 597
Net healthcare result		28 065 641	(3 020 310)
Other income and expenditure		36 596 051	(9 338 249)
Investment income	12	2 849 347	3 006 890
Realised gains on financial assets	13	6 300 284	13 488 987
Other income		141 292	453 654
Asset management fees		(956 536)	(894 750)
Unrealised gains/(losses) on financial assets at fair value through profit and loss	2, 4	28 261 664	(25 393 030)
Total comprehensive income/(loss) for the year		64 661 692	(12 358 559)

STATEMENT OF CHANGES IN FUNDS AND RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2019

	Accumulated funds	Available-for-sale reserve	Total members' funds
	R	R	R
Balance as at 1 January 2018	351 157 366	35 854 626	387 011 992
Total comprehensive loss for the year	(12 358 559)	-	(12 358 559)
Transfer from available-for-sale reserve	35 854 626	(35 854 626)	-
Balance as at 31 December 2018	374 653 433	-	374 653 433
Total comprehensive income for the year	64 661 692	-	64 661 692
Balance as at 31 December 2019	439 315 125	-	439 315 125

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		R	R
Cash flows utilised in operating activities			
Cash flows generated from operations before working capital changes	15	50 781 665	18 464 444
Working capital changes			
Decrease/(increase) in trade and other receivables (gross of impairments)		3 824 005	(430 456)
(Decrease)/increase in trade and other payables		(2 008 125)	824 016
Payment in respect of claims reported not paid		(1 018 588)	
Payments on outstanding claims provision		(13 552 346)	(14 472 764)
Cash flows from operating activities		38 026 611	4 385 239
Investment income		2 849 347	3 006 890
Net cash flows from operating activities		40 875 958	7 392 129
Cash flows from investing activities			
Purchase of investments	2	(175 843 503)	(227 010 736)
Proceeds on disposal of investments	2	145 317 000	224 901 396
Net cash flows from investing activities		(30 526 503)	(2 109 340)
Net increase in cash and cash equivalents		10 349 455	5 282 789
Cash and cash equivalents at the beginning of the year		153 360 078	148 077 289
Cash and cash equivalents at the end of the year	4	163 709 533	153 360 078

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. PRINCIPAL ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

1.2 Financial instruments

The Scheme classifies its financial assets in the following categories: at fair value through profit or loss, at fair value through other comprehensive income 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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

(b) Loans and receivables (continued)

are classified as non-current assets. The Schemes' 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.

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.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

(c) Amortised cost (continued)

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.

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

(c) Amortised cost (continued)

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 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.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.3 Provisions (continued)

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

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

1.8 Offset

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

1.9 Managed Care: Management services expenses

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

1. 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 Scheme Act No. 56 of 1996. If the member is reimbursed by the RAF, they are obliged contractually to cede that payment to the Scheme to the extent that they have already been compensated. A reimbursement from the RAF is a possible asset that arises from claims submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme. The contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent asset. Any recoveries are credited against claims expense in the year of receipt.

1.11 Comparatives

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

1.12 Critical judgments and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Scheme’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 22.

1.13 Functional and presentation currency

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (“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.

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

	2019	2018
	R	R
Fair value at the beginning of the year	242 060 843	258 614 564
Additions	175 843 503	227 010 736
Disposals	(145 317 000)	(224 901 396)
Net gain/(loss)	26 714 221	(18 663 061)
Realised gain on disposal of financial assets at fair value through profit and loss	6 259 524	12 234 023
Unrealised gain/(loss) on financial assets at fair value through profit and loss	20 454 697	(30 897 084)
Fair value at the end of the year	299 301 567	242 060 843
Invested with		
Sygnia Life Limited	299 301 567	242 060 843

3. TRADE AND OTHER RECEIVABLES

	2019	2018
	R	R
Insurance receivables		
Contributions outstanding	3 336 460	7 296 158
Recoveries from members	172 709	246 542
Supplier overpayments	210 998	211 618
	3 720 167	7 754 318
Less: Allowance for expected credit losses	(270 684)	(393 597)
	3 449 483	7 360 721
Non-insurance receivables		
Accrued investment income	34 930	45 273
Prepaid expenses	-	20 000
	3 484 413	7 425 994
Analysis of movement in respect of insurance receivables		
Balance at the beginning of the year	7 754 318	7 452 557
Movements for current year	(4 034 151)	301 761
Balance at the end of the year	3 720 167	7 754 318

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

4. CASH AND CASH EQUIVALENTS

	2019	2018
	R	R
Call accounts	34 126 869	32 751 958
Current accounts	29 144 839	33 300 742
Money market	100 437 825	87 307 378
Total cash and cash equivalents	163 709 533	153 360 078

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 4.73% (2018: 4.85%) and deposits was 6.28% (2018: 5.97%). 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 R7 806 967 (2018: R5 504 054).

The movement in money market instruments includes realised gains through profit and loss of R40 760 (2018: R1 254 964).

5. OUTSTANDING CLAIMS PROVISION

	Not covered by risk transfer arrangements 2019	Not covered by risk transfer arrangements 2018
	R	R
Provision for outstanding claims – incurred but not yet reported	15 375 190	14 380 159
Provision arising from liability adequacy test	-	-
	15 375 190	14 380 159
Analysis of movements in outstanding claims		
Balance at beginning of year	14 380 159	13 637 655
Payments in respect of prior year	(13 552 346)	(14 472 764)
Over/(under) provision in the prior year	827 813	(835 109)
Adjustment for current year	14 547 377	15 215 268
Balance at end of year	15 375 190	14 380 159

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 further on. 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:

	2019	2018
	%	%
Claims outstanding for:		
» December	46	48
» November	10	8
» October	5	3
» September	1	1
» August and prior	0	0

Changes in assumptions and sensitivities to changes in key variables

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

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

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

5. OUTSTANDING CLAIMS PROVISION (CONTINUED)

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

	Increase in liability 2019	Increase in liability 2018
	R	R
Effect of a 1% increase in assumed percentage	1 390 500	1 418 000
Effect of a 2% increase in assumed percentage	2 671 940	2 875 000
Effect of a 3% increase in assumed percentage	4 061 886	4 373 000

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

1 735 30 610

Claims reported not yet paid

10 819 179 12 689 216

Non-insurance payables

984 284 1 093 497

Audit fees

336 000 375 314

Sundry creditors

648 284 718 183

11 805 198 13 813 323

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

2019	2018
R	R
415 088 340	393 412 685

8. RELEVANT HEALTHCARE EXPENDITURE

Claims incurred excluding claims incurred in respect of risk transfer arrangements

Current year claims

340 307 593 349 966 306

Movement in outstanding claims provision

14 547 377 15 215 268

(Over)/under provision in prior year

(827 813) 835 109

Provision balance at the end of the year

15 375 190 14 380 159

Total claims incurred

354 854 970 365 181 574

Less: Third party recoveries

(765 819) (458 213)

Total relevant healthcare expenditure

354 089 151 364 723 361

9. MANAGED CARE: MANAGEMENT SERVICES

Specialist, hospital referrals and pre-authorisations

2 354 078 2 240 743

Pharmacy Benefit Management

2 136 323 2 034 723

Disease Risk Management

1 895 313 1 804 276

Specialist network management: MMI Health

1 439 350 1 368 248

GP Network Management

76 427 72 418

7 901 491 7 520 408

10. ADMINISTRATION AND OTHER EXPENSES

	2019	2018
	R	R
Administrator's fees	15 344 570	14 609 398
Audit fees	415 012	378 925
Actuarial fees	833 175	791 775
Bank charges	156 547	284 607
Benefit management services: Europe Assist	162 298	156 062
Board of Healthcare Funders' levies	102 269	96 759
Commission	1 622 980	1 555 923
Council for Medical Schemes' levies	300 037	279 846
Fidelity guarantee and professional indemnity insurance premium	20 000	20 000
Legal fees	-	2 964
Principal Officer's fees: JJ van der Walt	267 480	250 800
Printing & stationery	105 676	475 189
Scheme management services	5 584 437	5 335 575
	24 914 481	24 237 823

10.1 TRUSTEES' AND PRINCIPAL OFFICER'S EXPENSES

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

Fees for consultancy services

Paid to the Principal Officer

	2019	2018
	267 480	250 800

11. NET IMPAIRMENT ON HEALTHCARE RECEIVABLES

	2019	2018
	R	R
Trade and other receivables		
Contributions that are not collectable	76 332	(48 884)
Movement in the allowance account for expected credit losses	76 332	(48 884)
Members' and service providers' portions that are not recoverable	(193 908)	97 481
Movement in the allowance account for expected credit losses	46 581	216 074
Written off	(240 489)	(118 593)
	(117 576)	48 597

12. INVESTMENT INCOME

Interest income	2 849 347	3 006 890
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13. REALISED GAINS ON DISPOSAL OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Realised gains on disposal of financial assets at fair value through profit and loss	6 300 284	13 488 987
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14. SURPLUS AFTER INVESTMENT INCOME, OTHER INCOME AND OTHER EXPENDITURE, PER BENEFIT OPTION

	Imperialmed Health Plan	Imperialmed Budget Plan	Imperialmed
2019	R	R	R
Net contribution income	391 386 329	23 702 011	415 088 340
Relevant healthcare expenditure	345 723 847	16 266 795	361 990 642
Net claims incurred	338 660 022	15 429 129	354 089 151
Claims incurred	339 344 209	15 510 761	354 854 970
Third party claim recoveries	(684 187)	(81 632)	(765 819)
Managed care: Management services	7 063 825	837 666	7 901 491
Gross healthcare result	45 662 482	7 435 216	53 097 698
Administration and other expenses	(22 274 005)	(2 640 476)	(24 914 481)
Net impairment charges on healthcare receivables	(105 196)	(12 380)	(117 576)
Net healthcare result	23 283 281	4 782 360	28 065 641
Other income and expenditure	32 923 046	3 673 005	36 596 051
Investment income	2 686 660	162 687	2 849 347
Realised gains on financial assets at fair value through profit and loss	5 714 200	586 084	6 300 284
Sundry income	126 538	14 754	141 292
Asset management fees	(854 949)	(101 587)	(956 536)
Unrealised losses on financial assets at fair value through profit and loss	25 250 597	3 011 067	28 261 664
Total comprehensive income for the year	56 206 327	8 455 365	64 661 692

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

	Imperialmed Health Plan	Imperialmed Budget Plan	Imperialmed
2018	R	R	R
Net contribution income	372 130 853	21 281 832	393 412 685
Relevant healthcare expenditure	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	14 947 679	365 181 574
Third party claim recoveries	(413 287)	(44 926)	(458 213)
Managed care: Management services	6 767 935	752 473	7 520 408
Gross healthcare result	15 542 310	5 626 606	21 168 916
Administration and other expenses	(21 812 822)	(2 425 001)	(24 237 823)
Net impairment charges on healthcare receivables	41 630	6 967	48 597
Net healthcare result	(6 228 882)	3 208 572	(3 020 310)
Other income and expenditure	(8 149 208)	(1 189 041)	(9 338 249)
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
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)
Total comprehensive loss for the year	(14 378 090)	2 019 531	(12 358 559)

15. CASH FLOWS GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES

	2019	2018
	R	R
Total comprehensive gain/(loss) for the year	64 661 692	(12 358 559)
Adjustments for:		
Impairment/(reversal) on healthcare receivables	117 576	(48 597)
Investment income	(2 849 347)	(3 006 890)
Realised gains on disposals	(5 240 936)	(12 234 007)
Adjustment to the provision for outstanding claims	14 547 377	15 215 268
Unrealised (gains)/losses on financial assets at fair value through profit and loss	(20 454 697)	30 897 229
Cash inflows from operations before working capital changes	50 781 665	18 464 444

16. 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 2019, amounted to R20 million (2018: R20 million).

17. RELATED PARTY TRANSACTIONS

Background information

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

17. RELATED PARTY TRANSACTIONS (CONTINUED)

Parties with significant influence over the Scheme

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

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

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

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

Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees and the Principal Officer. The Trustees are employed by Imperial Group Limited.

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

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

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

17. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with entities that have significant influence over the Scheme:

	2019	2018
	R	R
Statement of comprehensive income		
Administration fees	15 344 570	14 609 398
Managed care fees	7 901 491	7 520 408
Actuarial fees	833 175	791 775
Statement of financial position		
Managed care fees due	34 303	32 370
Scheme management service fees due	457 480	445 262
Printing and stationery due	-	87 354
Transactions with key management personnel:		
Statement of comprehensive income		
Trustees' and Principal Officer's contributions received	540 672	559 671
Trustees' and Principal Officer's claims incurred	922 457	1 423 556
Principal Officer's fees - JJ van der Walt	267 480	250 800
Scheme management service	5 584 437	5 335 575

17. 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
ADMINISTRATION FEES	The administration agreement is in terms of the Rules of the Scheme and in accordance with instructions given by the Trustees of the Scheme. The agreement shall continue for an initial period of three years from 1 January 2011; therefore it is automatically renewed each year unless notification of termination is received. The Scheme has the right to terminate the agreement on six months notice. The outstanding balance bears no interest and is due within seven days of the month to which it relates. The contract with Metropolitan Health Corporate (Pty) Ltd was ceded to Momentum Health Solutions (Pty) Ltd effective 1 January 2017.
MANAGED CARE FEES	The managed care agreement is in terms of the Rules of the Scheme and in accordance with instructions given by the Trustees of the Scheme. The agreement shall continue for an initial period of three years from 1 January 2011; thereafter it is automatically renewed each year unless notification of termination is received. The Scheme has the right to terminate the agreement on six months notice. The outstanding balance bears no interest and is due within seven days of the month to which it relates. The contract with Metropolitan Health Corporate (Pty) Ltd was ceded to Momentum Health Solutions (Pty) Ltd effective 1 January 2017.
ACTUARIAL FEES	The actuarial agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is automatically renewed each year unless notification of termination is received. Either party has the right to terminate the agreement on 120 days notice. The outstanding balance bears no interest and is due within 30 days.
SCHEME MANAGEMENT SERVICES	The Medi Call agreement is in terms of the agreement between the Scheme and Medi Call and in accordance with instructions given by the Trustees of the Scheme. The agreement is automatically renewed each year unless notification of termination is received. The Scheme or the Scheme Manager may terminate the agreement by giving the other Party no less than 6 (six) calendar months written notice. The outstanding balance bears no interest and is due within 30 days.

18. 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 remains 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.

18. INSURANCE RISK MANAGEMENT (CONTINUED)

2019

AGE GROUPING (IN YEARS)		GENERAL PRACTITIONERS	SPECIALISTS	DENTISTRY	OPTOMETRY	MEDICINES	HOSPITAL	OTHER	TOTAL
		R	R	R	R	R	R	R	R
< 26	Net	4 656 448	17 977 039	4 178 065	1 517 065	8 546 234	29 202 104	6 110 626	72 187 581
26 – 35	Net	3 401 535	16 307 339	2 238 484	1 649 281	5 592 785	22 943 159	3 734 913	55 867 496
36 – 50	Net	4 366 248	27 931 818	4 044 926	3 060 972	14 726 431	38 885 591	7 380 935	100 396 921
51 – 65	Net	1 892 939	20 647 612	2 227 959	1 545 687	13 405 400	28 077 006	4 586 792	72 383 395
> 65	Net	661 966	11 376 907	661 124	428 478	6 342 375	16 469 206	3 532 144	39 472 200
Total current year claims	Net	14 979 136	94 240 715	13 350 558	8 201 483	48 613 225	135 577 066	25 345 410	340 307 593

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

18. 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 program that reviews a sample of contracts on a quarterly basis to ensure adherence to the Scheme's objectives.

19. CAPITAL MANAGEMENT

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

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

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

The Medical Schemes Act requires the Scheme to maintain a solvency ratio of 25%. The Scheme's solvency ratio as at 31 December 2019 was 96.5% (2018: 92.6%), which is well above this required minimum.

This measure of capital is consistent with the prior year, and there have been no changes in the Scheme's objectives, policies and procedures for managing capital from 31 December 2018 to 31 December 2019.

20. 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.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2019	2018
	R	R
Financial assets at fair value through profit and loss	299 301 567	242 060 843
Cash and cash equivalents	163 709 533	153 360 078
Trade and other receivables	3 484 413	7 425 994
Loans and receivables	34 930	65 273
Insurance receivables	3 449 483	7 360 721
Trade and other payables	11 805 198	13 813 323
Provisions and payables	984 284	1 093 497
Insurance payables	10 820 914	12 719 826

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 hedge (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.

20. 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 total comprehensive income and total members' funds based on a decrease of 1% or decrease of 5% in the market interest rates applicable at 31 December 2019, for each class of financial instrument with all other variables remaining constant as follows:

Sensitivity analysis table at 31 December 2019

	2019 Actual	Interest rate decreases by 1%	Interest rate decreases by 5%
	R	R	R
Change in interest bearing financial assets through profit and loss	93 025 941	(930 259)	(4 651 297)
Change in cash and cash equivalents	163 709 533	(1 637 095)	(8 185 477)

	2018 Actual	Interest rate decreases by 1%	Interest rate decreases by 5%
	R	R	R
Change in interest bearing available-for-sale instruments	73 380 737	(733 807)	(3 669 037)
Change in cash and cash equivalents	153 360 078	(1 533 601)	(7 668 004)

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 2019 remain until maturity or settlement without any action by the Scheme to alter the resulting interest rate exposure.

20. 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

	2019 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	206 275 626	(1 741 306)	(8 703 811)
Total comprehensive income for the year	64 661 692	62 920 386	55 957 881
Total members' funds	439 315 125	437 573 819	430 611 314

	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)
Total comprehensive income for the year	(12 358 559)	(13 780 740)	(20 287 823)
Total members' funds	374 653 433	373 231 252	366 724 169

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Equity price risk sensitivity analysis (continued)

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

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

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
2019	R		
Cash and cash equivalents	15 554 221	ABSA	BB
	25 326 303	FirstRand	BB
	2 808 749	Investec	BB
	50 408 424	Nedbank	BB
	68 623 199	Standard Bank	B
	961 676	HSBC	A
	3 318	Standard	A
	23 643	China	A

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

CREDIT RISK EXPOSURE	AMOUNT	COUNTER PARTY	CREDIT RATING
2018	R		
Cash and cash equivalents	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	A

The credit risk exposure on trade and other receivables has been set out on page 56 of these financial statements.

Liquidity risk

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

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

The liquidity risk analysis is based on the following assumptions:

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

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	MORE THAN 3 MONTHS	TOTAL
	R	R	R	R
2019				
LIABILITIES				
Current liabilities				
Outstanding claims provision	11 096 235	3 634 817	644 138	15 375 190
Trade and other payables	11 805 198	-	-	11 805 198
Total current liabilities	22 901 433	3 634 817	644 138	27 180 388
ASSETS				
Current assets				
Cash and cash equivalents	163 709 533	-	-	163 709 533
Trade and other receivables	3 400 400	97 688	257 009	3 755 097
Total current assets	167 109 933	97 688	257 009	167 464 630
	144 208 500	(3 537 129)	(387 129)	140 284 242

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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

20. 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).

2019

Financial assets at fair value through profit and loss

Sygnia (insurance policy) (recurring)

Total available-for-sale investments

	Level 1	Level 2	Level 3
	R	R	R
Sygnia (insurance policy) (recurring)	-	299 301 567	-
Total available-for-sale investments	-	299 301 567	-

2018

Financial assets at fair value through profit and loss

Sygnia (insurance policy) (recurring)

Total available-for-sale investments

	Level 1	Level 2	Level 3
	R	R	R
Sygnia (insurance policy) (recurring)	-	242 060 843	-
Total available-for-sale investments	-	242 060 843	-

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk - trade and other receivables

	FULLY PERFORMING	PAST DUE	IMPAIRMENT	NET
	R	R	R	R
2019				
Insurance receivables	3 365 469	354 698	(270 684)	3 449 483
- Contributions outstanding	3 312 697	23 763	-	3 336 460
- Recoveries from members	2 615	170 094	(171 509)	1 200
- Supplier overpayments	50 157	160 841	(99 175)	111 823
Other receivables	34 930	-	-	34 930
Cash and cash equivalents	163 709 533	-	-	163 709 533
	<u>167 109 932</u>	<u>354 698</u>	<u>(270 684)</u>	<u>167 193 946</u>
2018				
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
	<u>160 715 922</u>	<u>463 746</u>	<u>(393 597)</u>	<u>160 786 071</u>

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Age analysis of past due amounts

	30 DAYS	60 DAYS	90 DAYS +	NET
	R	R	R	R
2019				
Insurance receivables	51 461	28 421	274 816	354 698
- Contributions outstanding	10 696	13 067	-	23 763
- Recoveries from members	3 041	4 684	162 369	170 094
- Supplier overpayments	37 724	10 670	112 447	160 841
	51 461	28 421	274 816	354 698

2018				
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
	64 139	11 421	388 186	463 746

21. TAXATION

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

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

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

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 flows, etc.) and therefore cannot be determined with precision.

23. COMMITMENTS

There were no commitments for capital expenditure as at 31 December 2019 (2018: nil).

24. 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.

24. NON-COMPLIANCE MATTERS (CONTINUED)

Contravention of Section 26(7) (continued)

Causes for the failure

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

Corrective action

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

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

Nature and impact

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

Causes for the failure

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

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

Corrective action

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

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

24. NON-COMPLIANCE MATTERS (CONTINUED)

Contravention of Section 8(1)

Nature and impact

Regulation 8(1) of the Medical Schemes Act No 131 of 1998 states that: Subject to the provisions of this regulation, any benefit option that is offered by a medical scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions. One PMB claim line was not paid in full or at cost.

Causes for the failure

The claim appeared on the review report; however, due to a backlog in reviewing the report, it was not actioned timeously.

Corrective action

The claim has subsequently been reviewed, a benefit authorisation created and the claim reprocessed.

Contravention of Section 36(11)

Nature and impact

Section 36 (11) states that the majority of the members, including the Chairman of the Audit Committee, shall be persons who are not officers of the medical scheme or the administrator of the medical scheme, the controlling company of the administrator or any subsidiary of its controlling company.

Causes for the failure

The Chairman of the Audit Committee was appointed to the Board of Trustees effective 1 January 2019 as an employer representative, which resulted in the non-compliance with this Section of the Act.

Corrective action

The Chairman of the Audit Committee stepped down and was replaced by an independent member effective 31 March 2020.

25. EVENTS AFTER REPORTING DATE

The outbreak of the coronavirus during mid-January has disrupted the global economic markets. In making their estimates and judgements as at 31 December 2019, the Trustees took into consideration the economic conditions and forecasts as at that date. The Board of Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

At year-end, 36% of the Scheme's assets were invested in cash with 44% exposed to local equity markets, including property. While the cash investments will be largely unaffected, the equity portion of the investments will decrease. The Sygnia Life portfolio, in which the Scheme is invested, includes equity and property exposure. The market value of the investments has decreased by 9.1% since December 2019 (31 December 2019: R299 301 567; 30 April 2020: R271 985 894).

Based on the actuarial modelling performed by NMG, Imperialmed could incur costs of:

- » Up to R3.1 million in respect of testing and treating all diagnosed cases for those who meet the NICD criteria and tested; and
- » Up to R2.4 million in respect of hospitalisation for severe cases, noting that this is mitigated by likely capacity constraints in hospitals in high transmission rate scenarios.

These costs amount to around 1.3% of the total Imperialmed contribution income as projected for 2020, but we would expect that the containment measures announced by Government would contribute to bringing transmission rates and costs down.

The potential impact that the pandemic will have on the Scheme's participating employers was also considered, but it was deemed to be too early to make an assessment.

The allowance for expected credit losses as at 31 December 2019 have been based on incurred events at balance sheet date. Given that the disruptions only occurred in March 2020, the amount recognised as at 31 December 2019 remains unchanged.

Provision for outstanding claims, as disclosed in note 5, is an estimate of the ultimate costs of settling all claims incurred that have occurred before the end of the reporting period, but have not been reported to the Scheme. Given the fact that the risk claims provision as at 31 December 2019 relates to 2019 and prior, the claims provision remains unchanged.

25. EVENTS AFTER REPORTING DATE (CONTINUED)

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

In addition, the financial reporting impact of COVID-19 will be considered in the 2020 financial statements.

The Imperial Group Medical Scheme changed its registered name to Imperial and Motus Medical Aid effective 1 April 2020.

There have been no other events that have occurred between the end of the accounting period and the date of the approval of these Annual Financial Statements, other than items listed above, 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 by email to **proxy@tmsmeetings.co.za** by no later than **10:00 on Monday, 21 September 2020**.
2. Omission of any of the above-mentioned information would invalidate this nomination form.
3. Please provide a telephone number and email address for the nominee to facilitate the provision of relevant documentation:

Telephone number of nominee:

Email 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 **10:00 on Monday, 21 September 2020**. No nominations after this date will be accepted.

All nominations must be sent to the Scheme’s virtual meeting manager, The Meeting Specialist (Pty) Ltd, at proxy@tmsmeetings.co.za.

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 AND MOTUS MEDICAL AID

I, _____,

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

_____,

who is a member of this Scheme or, failing him/her, the Chairman of the meeting, as my proxy to attend and vote on my behalf at the Annual General Meeting convened for Tuesday, 29 September 2020.

Dated this _____ day of _____ 2020.

Signature of member: _____

Membership number of member: _____

Signature of proxy: _____

Membership number of proxy: _____

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

To reach the Principal Officer, through The Meeting Specialist (Pty) Ltd, by no later than Friday, 25 September 2020.



