

***NOTICE OF THE ANNUAL
GENERAL MEETING*** TO BE HELD ON 17 JULY 2015



*INCLUDING A SUMMARY OF THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014*

NOTICE TO ALL MEMBERS

NOTICE IS HEREBY GIVEN THAT THE NINETEENTH ANNUAL GENERAL MEETING OF MEMBERS OF THE IMPERIAL GROUP MEDICAL SCHEME WILL BE HELD IN THE BOARDROOM, HINGHAM OFFICE PARK, JEPPE QUONDAM, 79 BOEING ROAD EAST, BEDFORDVIEW, ON FRIDAY, 17 JULY 2015 AT 15:00.

AGENDA

1. CONFIRMATION OF MINUTES

To confirm the minutes of the Imperial Group Medical Scheme Annual General Meeting held on 17 July 2014

2. ADOPTION OF REPORT AND ACCOUNTS

To receive and adopt the report of the Board of Trustees, as well as the Auditor's report and statements of accounts for the twelve (12) months ended 31 December 2014

3. APPOINT AUDITORS

To appoint Auditors in terms of Rule 30.1

4. APPOINTMENT OF TRUSTEE

One member-elected Trustee to be appointed (a nomination form is included on **page 45**)

5. OTHER BUSINESS

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

If you are unable to attend the meeting, you may nominate a proxy or the Chairperson to vote on your behalf. A proxy form is included on **page 47**.

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

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

OR

The Principal Officer
Imperial Group Medical
Scheme
11 Park Lane
Entrance 15 Junction Ave
Parktown 2193

OR

Fax to
0866 738 093

BY ORDER OF THE BOARD OF TRUSTEES



Johannes Jacobus van der Walt
Principal Officer
Imperial Group Medical Scheme

MINUTES OF THE EIGHTEENTH ANNUAL GENERAL MEETING

OF THE IMPERIAL GROUP MEDICAL SCHEME HELD AT THE IMPERIAL LOGISTICS LEARNING CENTRE, GOLDFIELDS LOGISTICS PARK, 10 REFINERY ROAD, GERMISTON ON 17 JULY 2014 AT 09:00

WELCOME AND APOLOGIES

Apologies were received for Messrs R Venter, R Truscott and D Smith, Trustees of Imperialmed.

Thirteen members and three Trustees, who are also members of Imperialmed, were present at the meeting, including Mr R Mumford, the Chairperson of the Imperialmed Audit Committee, who is also a member of Imperialmed.

A quorum was present in terms of the rules of the Scheme and the meeting was properly constituted.

1. APPROVAL OF THE MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 19 JULY 2013

The minutes of the Annual General Meeting held on 19 July 2013 was distributed to all members in advance and made available at the meeting. The contents of the minutes were approved as being a true reflection of the meeting.

PROPOSED: Mr C van Wyk

SECONDED: Ms M Lang

2. ADOPTION OF REPORTS AND ACCOUNTS

The report of the Board of Trustees and the Auditor's letter, confirming that the summarised financial statements substantially reflect the same position as the audited financial statements for the twelve months ended 31 December 2013, were adopted by the meeting. A full set of the Annual Financial Statements was available at the meeting.

PROPOSED: Mr R Mumford

SECONDED: Mr F Meier

3. APPOINTMENT OF AUDITORS

It was proposed by the Audit Committee that the Registered Auditors, Deloitte & Touche, be appointed for the next financial year. The proposal was accepted by the attendees at the Annual General Meeting and Deloitte & Touche was re-appointed for the ensuing year.

PROPOSED: Mr R Mumford

SECONDED: Mr F Meier

4. APPOINTMENT OF TRUSTEE

Mr Tennick informed the meeting that one of the member-elected Trustees, Mr D Smith, who was up for re-election, had tendered his resignation as a Trustee. Two nominations for the new Trustee were received, which was for Ms P Fiddes and Ms S Tewary Ahmed. The Principal Officer, Mr van der Walt, confirmed that a ballot paper was available for voting purposes. The nominee receiving the most votes would be appointed as the Trustee replacing Mr Smith and the other nominee would be appointed as an alternate Trustee and would stand in at Trustee meetings when one of the current Trustees cannot attend.

Mr van der Walt further informed the meeting that a total of 146 proxies were received, appointing Ms Fiddes as the Proxy for members who could not attend the meeting. Of these 41 were valid proxies and 105 were not valid, as they were received after the set deadline. The members present were allowed some time to complete their ballot papers. Counting of the votes commenced and 49 votes, including the 41 proxies, were received for Ms Fiddes and nine votes were received for Ms Tewary Ahmed. Ms Fiddes was appointed as the new member elected Trustee and Ms Tewary Ahmed as the alternate Trustee.

5. OTHER BUSINESS

There was no other business raised for discussion.

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

Chairperson

Date



SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Registration number: 01559

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

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

REPORT OF THE INDEPENDENT AUDITOR

ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF IMPERIAL GROUP MEDICAL SCHEME

The summary financial statements of Imperial Group Medical Scheme, as set out on pages 17 to 44, which comprise the summary statement of financial position at 31 December 2014, and the summary statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and related notes, are derived from the audited financial statements of Imperial Group Medical Scheme for the year ended 31 December 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 22 April 2015.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the summary financial statements therefore is not a substitute for reading the audited financial statements of Imperial Group Medical Scheme.

TRUSTEES' RESPONSIBILITY FOR THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810, *Engagements to Report on Summary Financial Statements*.

OPINION

In our opinion, the summary financial statements derived from the audited financial statements of Imperial Group Medical Scheme for the year ended 31 December 2014, are consistent, in all material aspects, with those financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes. Our report dated 22 April 2015 includes a matter on legal and regulatory requirements based on non-compliance with the Medical Schemes Act in the audited financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Non-compliance with the Medical Schemes Act

As required by the Council for Medical Schemes, we report the following material instance 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:

1. The Scheme did not meet the minimum requirements of Explanatory Note 2 to Annexure B read in conjunction with Regulation 30 of the Medical Schemes Act 131 of 1998, as clarified in Circular 23 of 2012. In terms of these requirements, the sum of deposits in categories 1(a)(i) and 1(a)(ii) are required to exceed 20% of assets in terms of Regulation 30.

The logo for Deloitte & Touche, featuring a stylized 'D' followed by the text 'DELLOITTE & TOUCHE' in a handwritten-style font.

Deloitte & Touche

Registered Auditors

Per: Mbongeni Bhebhe

Partner

22 April 2015

REPORT OF THE BOARD OF TRUSTEES

Registration number: 01559

The Board of Trustees hereby presents its report for the year ended 31 December 2014.

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

The Imperial Group Medical Scheme (the Scheme) is a not-for-profit, restricted membership scheme, registered in terms of the Medical Schemes Act 131 of 1998, as amended (the Act).

1.2 Benefit options within the Imperial Group Medical Scheme

Two benefit options are available to employees of the Imperial Group. The Imperialmed Health Plan is a traditional plan that provides unlimited private hospital cover at 100% of the Medical Scheme Rate and routine non-prescribed benefits at 85% of the Medical Scheme Rate up to generous annual limits. 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

AN Tennick	Chairperson and employer representative
R Truscott	Employer representative
RA Venter	Employer representative
ADSS Sarria	Member representative
PRW Meier	Member representative
DA Smith	Member representative (resigned 17 July 2014)
PMAS Fiddes	Member representative (appointed 17 July 2014)

2.2 Principal Officer JJ van der Walt

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



2. MANAGEMENT (CONTINUED)

2.3 Registered office address and postal address

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

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

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

Accreditation number: 18

2.5 Investment managers during the year Allan Gray Life Ltd

Granger Bay Court Beach Road
Cape Town
8001

Financial service provider number: 6663

Coronation Asset Management (Pty) Ltd

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

Financial service provider number: 548

Mazi Capital (Pty) Ltd

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

Financial service provider number: 27404

2. MANAGEMENT (CONTINUED)

2.5 Investment manager during the year (continued)

Stanlib Asset Management (Pty) Ltd

17 Melrose Boulevard
Melrose Arch
Johannesburg
2196

Financial service provider number: 719

Visio Capital Management (Pty) Ltd

Ground Floor
South Wing
1 Sandton Drive
Sandton
2146

Financial service provider number: 871

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
Cape Town
8001

Financial service provider number: 873



2. MANAGEMENT (CONTINUED)

2.7 Actuary

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

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

2.8 Auditors

Deloitte & Touche

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

3. INVESTMENT STRATEGY OF THE SCHEME

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

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 2014.

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

4. MANAGEMENT OF INSURANCE RISK

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

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

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

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

A handwritten signature in blue ink, located in the bottom right corner of the page. The signature is stylized and appears to be the initials 'JW'.

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

5.1 Operational statistics – 2014

	2014 IMPERIALMED HEALTH PLAN	2014 IMPERIALMED BUDGET PLAN	2014 TOTAL	2013 IMPERIALMED HEALTH PLAN	2013 IMPERIALMED BUDGET PLAN	2013 TOTAL
Number of members at the end of the year	7 220	322	7 542	7 353	81	7 434
Average number of members for the year	7 310	223	7 532	7 444	37	7 462
Number of beneficiaries at the end of the year	16 802	603	17 405	17 079	130	17 209
Average number of beneficiaries for the year	16 967	397	17 363	17 218	62	17 249
Average age per beneficiary	30	25	30	30	24	30
Dependant ratio to members at 31 December	1.33	0.87	1.31	1.32	0.60	1.31
Pensioner ratio	3.05%	1.00%	2.98%	2.52%	-	2.50%
Average net contributions per member per month	R3 332	R1 720	R3 285	R3 081	R1 732	R3 078
Average net contributions per beneficiary per month	R1 436	R966	R1 425	R1 332	R1 034	R1 331
Average net claims incurred per member per month	R3 039	R987	R2 979	R2 836	R 712	R2 831
Average net claims incurred per beneficiary per month	R1 309	R554	R1 292	R1 226	R425	R1 225
Average administration cost per member per month	R213	R213	R213	R202	R205	R202
Average administration cost per beneficiary per month	R92	R120	R92	R87	R122	R87

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

5.1 Operational statistics – 2014 (continued)

	2014 IMPERIALMED HEALTH PLAN	2014 IMPERIALMED BUDGET PLAN	2014 TOTAL	2013 IMPERIALMED HEALTH PLAN	2013 IMPERIALMED BUDGET PLAN	2013 TOTAL
Average healthcare management expense per member per month	R65	R163	R68	R61	R619	R62
Average healthcare management expense per beneficiary per month	R28	R91	R30	R26	R369	R27
Non-healthcare expenditure per average beneficiary per month	R115	R205	R117	R112	R489	R113
Non-healthcare administration expense as a percentage of gross income	8.01%	21.21%	8.22%	8.41%	47.29%	8.46%
Gross claims as a percentage of gross contributions	91.21%	57.39%	90.68%	92.05%	41.09%	91.98%
Average accumulated funds per member at 31 December	R31 710	R31 710	R31 710	R28 458	R28 458	R28 458
Return on investments as a percentage of investments	8.96%	8.96%	8.96%	3.98%	3.98%	3.98%

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

5.2 Results of the Scheme

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

The Scheme has seen continued growth in membership during 2014. It is mainly due to increases in new Imperial employees joining the Scheme.

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

5.3 Solvency ratio

The solvency is calculated as follows:

Total members' funds per statement of financial position

2014	2013
R	R
277 656 620	253 797 800
(38 500 601)	(42 244 528)
239 156 019	211 553 272
296 893 162	275 585 555
80.6%	76.8%

Less:

Available-for-sale reserve (when in surplus)

Accumulated funds per regulation 29

Gross contributions

Accumulated funds ratio

5.4 Reserve accounts

Movements in the reserves are set out in the statement of changes in funds and reserves. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

5.5 Outstanding claims

Movements in the outstanding claims provision are set out in Note 3 to the summarised Annual Financial Statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

6. ACTUARIAL SERVICES

The Scheme's actuaries have been consulted in the determination of the contribution and benefit levels, 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 2014.

Summarised Annual Financial Statements 2014

Report of the Board of Trustees

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

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

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

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

These payments were as follows:

Administration and managed care fees:

- » Administration fee
- » Managed care fees

	2014	2013
	R	R
	17 258 654	15 751 895
	11 210 544	10 306 386
	6 048 110	5 445 509

9. EVENTS AFTER REPORTING DATE

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

10. RELATED PARTY TRANSACTIONS

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

11. AUDIT COMMITTEE

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

- » 8 April 2014; and
- » 15 October 2014.



11. AUDIT COMMITTEE (CONTINUED)

The Chairperson of the Scheme, the Administrator’s financial manager and the external Auditors have unrestricted access to the Chairperson of the Audit Committee.

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

The committee comprises:

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

There were no fees paid to the Audit Committee members in 2014.

12. TRUSTEE MEETING ATTENDANCE

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

	TRUSTEE MEETINGS		ANNUAL GENERAL MEETING	
	A	B	A	B
Board of Trustee members				
AN Tennick (Chairperson)	7	7	1	1
RA Venter	7	6	1	1
RG Truscott	7	6	1	0
ADSS Sarria	7	5	1	0
PRW Meier	7	7	1	1
DA Smith	3	0	1	0
PMAS Fiddes	4	4	1	1

12. TRUSTEE MEETING ATTENDANCE (CONTINUED)

	TRUSTEE MEETINGS		AUDIT COMMITTEE MEETINGS		ANNUAL GENERAL MEETING	
	A	B	A	B	A	B
Principal Officer						
JJ van der Walt (Principal Officer)	7	7	2	2	1	1

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

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

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

13. NON-COMPLIANCE MATTERS

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

Contravention of Section 26(7) of the Act

Nature and impact

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

Causes for the failure

Contributions were identified that were received more than three business days after payment became due and relates to Employer Group 4104, which is in contravention of both the Scheme Rules and the Act since the contributions were paid late on a few occasions. A few instances on the debit order runs were also picked up where a member did not have sufficient funds in his/her bank account or where the member closed his/her

13. NON-COMPLIANCE MATTERS (CONTINUED)

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

bank account, resulting in rejected debit orders. The Scheme would then need to follow up on these amounts to arrange payment.

Corrective action

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

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

Nature and impact

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

Causes for the failure

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

Corrective action

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

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

Contravention of Regulation 8

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 (PMB) conditions. During the review of the PMBs, we noted seven instances where PMB claim lines were not settled in full.

13. NON-COMPLIANCE MATTERS (CONTINUED)

Contravention of Regulation 8 (continued)

Causes for the failure

The administration system is programmed to settle all potential PMB claims per Scheme directive. However, we acknowledge that identifying a claim as PMB is a complex issue given the lack of a workable industry (ICD-10) coding system.

Corrective action

The Claims Manager, in collaboration with Scheme Management, will implement a quarterly 'PMB Claims Short-paid or Rejected' report to pro-actively identify claims that could potential be PMBs. These reports will be submitted to the Scheme by Scheme Management to alert the Scheme of the potential PMB claims. Thereafter Scheme Management will execute the instructions, as indicated by the Scheme.

Contravention of Regulation 30

Nature and impact

Explanatory note 2 to Annexure B, read in conjunction with Regulation 30 of the Medical Schemes Act 131 of 1998, as clarified in Circular 23 of 2012, requires that the sum of deposits in categories 1(a)(i) and 1(a)(ii) exceed 20% of assets in terms of Regulation 30. At year end the Imperial Group Medical Scheme did not meet this requirement.

Causes for the failure

The Scheme invests in the Investec Money Market Fund through a linked policy of insurance in order to optimise return on its cash reserves. The bond exposure from this Fund is excluded from categories 1(a)(i) and 1(a)(ii), resulting in the non-compliance.

Corrective action

The Imperial Group Medical Scheme is in the process of requesting exemption from this requirement from the Council for Medical Schemes, based on the liquidity characteristics of the Investec Money Market Fund.



Chairperson



Trustee



Principal Officer



STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	2014	2013
		R	R
ASSETS			
Non-current assets			
Available-for-sale investments	2	186 029 470	172 859 425
Current assets			
Trade and other receivables		11 383 967	10 069 505
Cash and cash equivalents		91 757 068	85 105 614
Total assets		289 170 505	268 034 544
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		239 156 019	211 553 272
Available-for-sale reserve		38 500 601	42 244 528
Current liabilities			
Outstanding claims provision	3	10 238 945	12 158 746
Trade and other payables		1 274 940	2 077 998
Total funds and liabilities		289 170 505	268 034 544

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 R	2013 R
Net contribution income	4	296 893 162	275 585 555
Relevant healthcare expenditure		269 229 801	253 472 941
Net claims incurred		269 229 801	253 472 941
Claims incurred	5	269 555 717	254 307 846
Third-party claim recoveries		(325 916)	(834 905)
Gross healthcare result		27 663 361	22 112 614
Managed care: Management services		(6 172 252)	(5 558 822)
Administration and other expenses		(19 256 720)	(18 090 221)
Net impairment reversals on healthcare receivables		1 035 862	334 776
Net healthcare result		3 270 251	(1 201 653)
Other income		24 892 004	10 392 349
Investment income	6	4 900 773	3 888 984
Realised gains on investments	7	19 991 231	6 370 470
Sundry income		-	132 895
Other expenditure		(559 508)	(517 986)
Asset management fees		(559 508)	(517 986)
Surplus for the year		27 602 747	8 672 710
Other comprehensive income			
Unrealised gain on revaluation of available-for-sale investments	2	(3 743 927)	16 514 834
Total comprehensive income for the year		23 858 820	25 187 544

STATEMENT OF CHANGES IN FUNDS AND RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2014

	Accumulated funds	Available-for-sale reserve	Total members' funds
	R	R	R
Balance as at 1 January 2013	202 880 562	25 729 694	228 610 256
Surplus for the year	8 672 710	-	8 672 710
Other comprehensive income	-	16 514 834	16 514 834
Reclassification adjustments relating to investments disposed of	-	(6 370 470)	(6 370 470)
Net gain arising from revaluation of investments	-	22 885 304	22 885 304
Balance as at 31 December 2013	211 553 272	42 244 528	253 797 800
Surplus for the year	27 602 747	-	27 602 747
Other comprehensive income	-	(3 743 927)	(3 743 927)
Reclassification adjustments relating to investments disposed of	-	(19 991 231)	(19 991 231)
Net gain arising from revaluation of investments	-	16 247 304	16 247 304
Balance as at 31 December 2014	239 156 019	38 500 601	277 656 620

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		R	R
Cash flows utilised in operating activities			
Cash flows generated from operations before working capital changes			
Working capital changes	8	12 932 126	9 622 581
Increase in trade and other receivables (gross of impairments)		(232 182)	(2 037 775)
Decrease in trade and other payables		(803 058)	(4 487 521)
Payments on outstanding claims provision		(13 177 046)	(11 235 041)
Net cash outflow from operating activities		(1 280 160)	(8 137 756)
Cash flows from investing activities			
Purchase of investments		(89 425 867)	(68 923 559)
Proceeds on disposal of investments		92 503 126	81 426 571
Investment Income		4 854 355	3 869 524
Net cash inflow from investing activities		7 931 614	16 372 536
Net increase in cash and cash equivalents		6 651 454	8 234 780
Cash and cash equivalents at the beginning of the year		85 105 614	76 870 834
Cash and cash equivalents at the end of the year		91 757 068	85 105 614

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. PRINCIPAL ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

1.2 Standards and interpretations

Standards and interpretations applicable to the Scheme that are not yet effective

The following new standards and amendments to IFRS are not yet effective for the current financial year. The Scheme will comply with the new standards and interpretations from the various effective dates.

IFRS 9 financial instruments

IFRS 9 Financial Instruments (effective 1 January 2018) – IFRS 9 contains three principal classification categories for financial assets, i.e. measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The existing IAS 39 categories of held-to-maturity, loans and receivables and available-for sale are removed. IFRS 9 retains almost all of the existing requirements from IAS 39 for financial liabilities. However any gain or loss on a financial liability designated at FVTPL attributable to changes in own credit risk is generally presented in OCI with remaining change in fair value presented in profit or loss. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ approach for debt instruments measured at amortised cost or FVOCI.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Standards and interpretations (continued)

IFRS 9 financial instruments (continued)

IFRS 9 will align hedge accounting more closely with risk management of an entity. In terms of IFRS 9, additional exposures may be hedged items. IFRS 9 will be adopted for the first time for the year ending 31 December 2018. The impact on the financial statements has not yet been estimated.

IFRS 15 revenue from contracts with customers

This establishes principles for reporting useful information to users of the financial statements about the nature, amounts, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The amendments to the standard are effective for annual periods commencing on or after 1 January 2017.

IAS 24 related party disclosures

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

Standards adopted in the current year

The following standards are effective for the current financial year. The Scheme complies with the new standard from the effective date.

IAS 32 offsetting financial assets and financial liabilities

The amendments address inconsistencies in applying the offsetting criteria and clarify that offsetting liabilities is required:

- » when an entity currently has a legally enforceable right to set off recognised amounts; and
- » when gross settlement is equivalent to net settlement.

The amendments to the standard were effective for annual periods commencing on or after 1 January 2014.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Standards and interpretations (continued)

IAS 36 impairment of assets

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

The amendments to the standard were effective for annual periods commencing on or after 1 January 2014.

1.3 Financial instruments

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

Measurement

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

Available-for-sale investments

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

Trade and other receivables

Trade and other receivables are measured on initial recognition at fair value and are

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.3 Financial instruments (continued)

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

Cash and cash equivalents

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

Financial liabilities

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

Derecognition of financial instruments

Financial assets

The Scheme derecognises a financial asset when:

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

Financial liabilities

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

1.4 Provisions

Provisions are recognised when the Scheme has a present legal or constructive obligation

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.4 Provisions (continued)

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

Outstanding claims

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

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

1.5 Insurance contracts

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

1.6 Contribution income

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

1.7 Relevant healthcare expenditure

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.7 Relevant healthcare expenditure (continued)

Claims

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

Net claims incurred comprise:

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

Liability adequacy test

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

1.8 Investment income

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

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

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

1.9 Impairment losses

Impairment of assets

The carrying amounts of the Scheme's assets are reviewed at each reporting date to

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.9 Impairment losses (continued)

Impairment of assets (continued)

determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

Impairment of financial assets

(i) Available-for-sale investments

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

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

(ii) Financial and insurance assets measured at amortised cost

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

Calculation of recoverable amount

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

The recoverable amount of other assets is the greater of their fair value less costs to sell and

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.9 Impairment losses (continued)

Calculation of recoverable amount (continued)

value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversals of impairment

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

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

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

1.10 Offset

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

1.11 Managed care: Management services expenses

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

1.12 Road Accident Fund (RAF)

The Scheme grants assistance to its members in defraying expenditure incurred in connection

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.12 Road Accident Fund (RAF) (continued)

with the rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act 56 of 1996. If members are reimbursed by the RAF, they are obliged contractually to cede that payment to the Scheme to the extent that they have already been compensated. A reimbursement from the RAF is a possible asset that arises from claims submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme. The contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the Financial Statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent asset. Any recoveries are credited against claims expense in the year of receipt.

1.13 Comparatives

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

1.14 Critical accounting judgements and areas of key sources of estimation

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Annual Financial Statements, are disclosed in Note 10.

1.15 Unclaimed savings and unclaimed cheques

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

1.16 Functional and presentation currency

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

**Notes to the Summarised Annual Financial Statements
For the year ended 31 December 2014**

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.17 Allocation of income and expenditure to benefit options

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

The following items are directly allocated to benefit options:

- » risk contribution income; and
- » 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; and
- » other expenditure.

2. AVAILABLE-FOR-SALE INVESTMENTS

	2014	2013
	R	R
Fair value at the beginning of the year	172 859 425	162 477 133
Additions	89 425 867	68 923 559
Disposals	(92 503 126)	(81 426 571)
Net gain	16 247 304	22 885 304
Realised gain on disposal of available-for-sale investments	19 991 231	6 370 470
Unrealised (loss)/gain on revaluation of available-for-sale Investments	(3 743 927)	16 514 834
Fair value at the end of the year	186 029 470	172 859 425
Invested with	20 642 077	20 434 353
Alan Gray Life Limited	165 387 393	152 425 072
Sygnia Life Limited	186 029 470	172 859 425



3. OUTSTANDING CLAIMS PROVISION

	Not covered by risk transfer arrangements 2014	Not covered by risk transfer arrangements 2013
	R	R
Provision for outstanding claims – incurred but not yet reported	10 238 945	12 158 746
Provision arising from liability adequacy test	-	-
	10 238 945	12 158 746
Analysis of movements in outstanding claims		
Balance at beginning of year	12 158 746	11 849 686
Payments in respect of prior year	(13 177 046)	(11 235 041)
Under and over provisions in the prior year	(1 018 300)	614 645
Adjustment for current year	11 257 245	11 544 101
Balance at end of year	10 238 945	12 158 746

Assumptions and sensitivity

Process used to determine the assumptions

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

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



3. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivity (continued)

Method used to determine the assumptions

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

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

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

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

Assumptions

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

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

3. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivity (continued)

Other assumptions:

- » the claims provision is not discounted;
- » a constant proportion of total claims arising within a service month in subsequent months;
- » the claims are assumed to be fully run off within 10 months;
- » the pattern of the inflation in the existing data will be projected into the future;
- » any distortions as a result of once-off events are isolated from the claims data set; and
- » claims are assumed to have a stable run-off pattern.

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

Claims outstanding for:

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

	2014	2013
	%	%
December	43	44
November	11	13
October	4	6
September	2	3
August and prior	1	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.

Notes to the Summarised Annual Financial Statements
For the year ended 31 December 2014

3. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivity (continued)

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

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

	Increase in liability 2014	Increase in liability 2013
	R	R
Effect of a 1% increase in assumed percentage	996 000	962 000
Effect of a 2% increase in assumed percentage	2 018 000	1 949 000
Effect of a 3% increase in assumed percentage	3 066 000	2 963 000

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

4. NET CONTRIBUTION INCOME

	2014	2013
	R	R
Gross and net contribution income	296 893 162	275 585 555

5. RELEVANT HEALTHCARE EXPENDITURE

	2014	2013
	R	R
Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current year claims	256 783 576	241 360 938
Movement in outstanding claims provision	11 257 245	11 544 101
Under/(over) provision in prior year	1 018 300	(614 645)
Provision balance at the end of the year	10 238 945	12 158 746
Ex gratia payments	1 514 896	1 402 807
Total claims incurred	269 555 717	254 307 846
Less: Third party recoveries	(325 916)	(834 905)
Total relevant healthcare expenditure	269 229 801	253 472 941

6. INVESTMENT INCOME

Interest income

2014	2013
R	R
4 900 773	3 888 984

7. REALISED GAINS ON INVESTMENT

Realised gains on disposal of available-for-sale investments

2014	2013
R	R
19 991 231	6 370 470

8. CASH FLOWS GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES

Surplus for the year
 Adjustments for:
 Impairment reversal on healthcare receivables
 Investment Income
 Realised gains on disposal of available-for-sale investments
 Adjustment to the provision for outstanding claims
 Cash inflows from operations before working capital changes

2014	2013
R	R
27 602 747	8 672 710
(1 035 862)	(334 776)
(4 900 773)	(3 888 984)
(19 991 231)	(6 370 470)
11 257 245	11 544 101
12 932 126	9 622 581

9. RELATED PARTY TRANSACTIONS

Background information

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

Parties with significant influence over the Scheme

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

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

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

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

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

9. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees and the Principal Officer. The Trustees are employed by Imperial Group Ltd. The disclosure deals with part-time personnel that are compensated on a fee basis (Board of Trustees).

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

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

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

Notes to the Summarised Annual Financial Statements
For the year ended 31 December 2014

9. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with entities that have significant influence over the Scheme

	2014	2013
	R	R
Statement of comprehensive income		
Administration fees	11 210 544	10 306 386
Managed care fees	6 048 110	5 445 509
Actuarial fees	712 967	594 738
Principal Officer's fees	218 800	205 200
Scheme management services	4 285 090	4 083 343
Commission	1 283 889	1 211 019
Travel and entertainment	3 649	-
Statement of financial position		
Actuarial fees due	52 554	49 562
Commission due	105 324	99 578
Scheme management service fees due	357 441	338 990
Network management fees due	22 365	20 882
Printing and stationery due	8 021	56 311
Transactions with key management personnel		
Statement of comprehensive income		
Trustee and Principal Officer's contributions received	404 682	371 747
Trustee and Principal Officer's claims incurred	276 307	641 804

9. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

TRANSACTION	NATURE OF TRANSACTIONS AND TERMS AND CONDITIONS
Administration fees	The administration agreement is in terms of the rules of the Scheme and in accordance with instructions given by the Trustees of the Scheme. The agreement will continue for an initial period of three years from 1 January 2011; thereafter it is automatically renewed each year unless notification of termination is received. The Scheme has the right to terminate the agreement on six months' notice. The outstanding balance bears no interest and is due within seven days of the month to which it relates.
Managed care fees	The managed care agreement is in terms of the rules of the Scheme and in accordance with instructions given by the Trustees of the Scheme. The agreement will continue for an initial period of three years from 1 January 2011; thereafter it is automatically renewed each year unless notification of termination is received. The Scheme has the right to terminate the agreement on six months' notice. The outstanding balance bears no interest and is due within seven days of the month to which it relates.
Actuarial fees	The actuarial agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is automatically renewed each year unless notification of termination is received. Either party has the right to terminate the agreement on 120 days' notice. The outstanding balance bears no interest and is due within 30 days.

9. RELATED PARTY TRANSACTIONS (CONTINUED)

TRANSACTION	NATURE OF TRANSACTIONS AND TERMS AND CONDITIONS
Principal Officer's fee	JJ van der Walt has been the Principal Officer of Imperial Group Medical Scheme since inception of the Scheme and an employee of the Imperial Group prior to that. In 2007, JJ van der Walt was employed as the Managing Director of Cedar Employee Benefits and Consultants (Pty) Ltd, a wholly-owned subsidiary of the Imperial Group. The Principal Officer's fees have traditionally been paid to JJ van der Walt's employer.
Scheme management services	The Medi Call agreement is in terms of the agreement between the Scheme and Medi Call and in accordance with instructions given by the Trustees of the Scheme. The agreement is automatically renewed each year unless notification of termination is received. The Scheme or the Scheme Manager may terminate the agreement by giving the other party no less than six calendar months' written notice. The outstanding balance bears no interest and is due within 30 days.
Commission	The Cedar Healthcare Consultants agreement is in terms of the agreement between the Scheme and Cedar Healthcare Consultants and in accordance with instructions given by the Trustees of the Scheme. The agreement is automatically renewed each year unless notification of termination is received. To terminate the agreement, either party must give three calendar months' written notice. The outstanding balance bears no interest and is due within 30 days.

10. 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:



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

1. Provision for outstanding claims is made based on various factors, as discussed in Note 5.
2. The Scheme's financial instruments are measured at fair value, as indicated in Note 1 and 21 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 old.

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

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

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

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

2014

Available-for-sale financial assets

Alan Gray (insurance policy) (recurring)
 Sygnia (insurance policy) (recurring)
 Total available-for-sale investments

	Level 1	Level 2	Level 3
Alan Gray (insurance policy) (recurring)	-	20 642 077	-
Sygnia (insurance policy) (recurring)	-	165 387 393	-
Total available-for-sale investments	-	186 029 470	-

**Notes to the Summarised Annual Financial Statements
For the year ended 31 December 2014**

11. FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL ASSUMPTION (CONTINUED)

2013	Level 1	Level 2	Level 3
Available-for-sale financial assets			
Alan Gray (insurance policy) (recurring)	-	20 434 353	-
Sygnia (insurance policy) (recurring)	-	152 425 072	-
Total available-for-sale investments	-	172 859 425	-

12. COMMITMENTS

There were no commitments for capital expenditure as at 31 December 2014 (2013: nil).

13. CONTINGENCIES

The ex-spouse of an ex-member lodged a civil claim against the Scheme for claims the Scheme reversed due to the date of service being after the date of termination of the membership to the value of approximately R24 000, which may be a potential liability contingent on the outcome of litigations at 31 December 2014 (2013: nil).

14. NON-COMPLIANCE MATTERS

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

Contravention of Section 26(7)

Nature and impact

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

Causes for the failure

Contributions were identified that were received more than three business days after payment became due and relates to Employer Group 4104, which is in contravention of both the Scheme Rules and the Act since the contributions were paid late on a few occasions. A few instances on the debit order runs were also picked up where a member did not have sufficient funds in his/her bank account or where the member closed his/her bank

14. NON-COMPLIANCE MATTERS (CONTINUED)

Contravention of Section 26(7) (continued)

Causes for the failure (continued)

account, resulting in rejected debit orders. The Scheme would then need to follow up on these amounts to arrange payment.

Corrective action

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

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

Nature and impact

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

Causes for the failure

The Scheme holds an indirect investment in Imperial Holdings Limited through its linked insurance policy investment with Sygnia Life Ltd.

Corrective action

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

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

Contravention of Regulation 8

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 (PMB) conditions. During the review of the PMBs, we noted seven instances where PMB claim lines were not settled in full.

14. NON-COMPLIANCE MATTERS (CONTINUED)

Contravention of Regulation 8 (continued)

Causes for the failure

The administration system is programmed to settle all potential PMB claims per Scheme directive. However, we acknowledge that identifying a claim as PMB is a complex issue given the lack of a workable industry (ICD-10) coding system.

Corrective action

The Claims Manager, in collaboration with Scheme Management, will implement a quarterly 'PMB Claims Short-paid or Rejected' report to pro-actively identify claims that could potential be PMBs. These reports will be submitted to the Scheme by Scheme Management to alert the Scheme of the potential PMB claims. Thereafter Scheme Management will execute the instructions, as indicated by the Scheme.

Contravention of Regulation 30

Nature and impact

Explanatory note 2 to Annexure B, read in conjunction with Regulation 30 of the Medical Schemes Act 131 of 1998, as clarified in Circular 23 of 2012, requires that the sum of deposits in categories 1(a)(i) and 1(a)(ii) exceed 20% of assets in terms of Regulation 30. At year end the Imperial Group Medical Scheme did not meet this requirement.

Causes for the failure

The Scheme invests in the Investec Money Market Fund through a linked policy of insurance in order to optimise return on its cash reserves. The bond exposure from this Fund is excluded from categories 1(a)(i) and 1(a)(ii), resulting in the non-compliance.

Corrective action

The Imperial Group Medical Scheme is in the process of requesting exemption from this requirement from the Council for Medical Schemes, based on the liquidity characteristics of the Investec Money Market Fund.

15. EVENTS AFTER REPORTING DATE

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

NOTE:

1. Please return the completed nomination form and an abbreviated CV* of the nominated person to:

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

or fax it to 0866 738 093 by no later than Friday, 10 July 2015.

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

Telephone number of nominee:

E-mail address:

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

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

NOTE: The closing date for Trustee nominations is at close of business on 10 July 2015. No nominations will be accepted after this date.

PROXY FORM

IMPERIAL GROUP MEDICAL SCHEME

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

_____,
who is a member of this Scheme or, failing him/her, the Chairperson of the meeting, as my proxy to attend and vote on my behalf at the Annual General Meeting convened for Friday, 17 July 2015.

Dated this _____ day of _____ 2015

Signature of member: _____

Membership number of member: _____

Signature of proxy: _____

Membership number of proxy: _____

Please return this proxy to:

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

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



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

