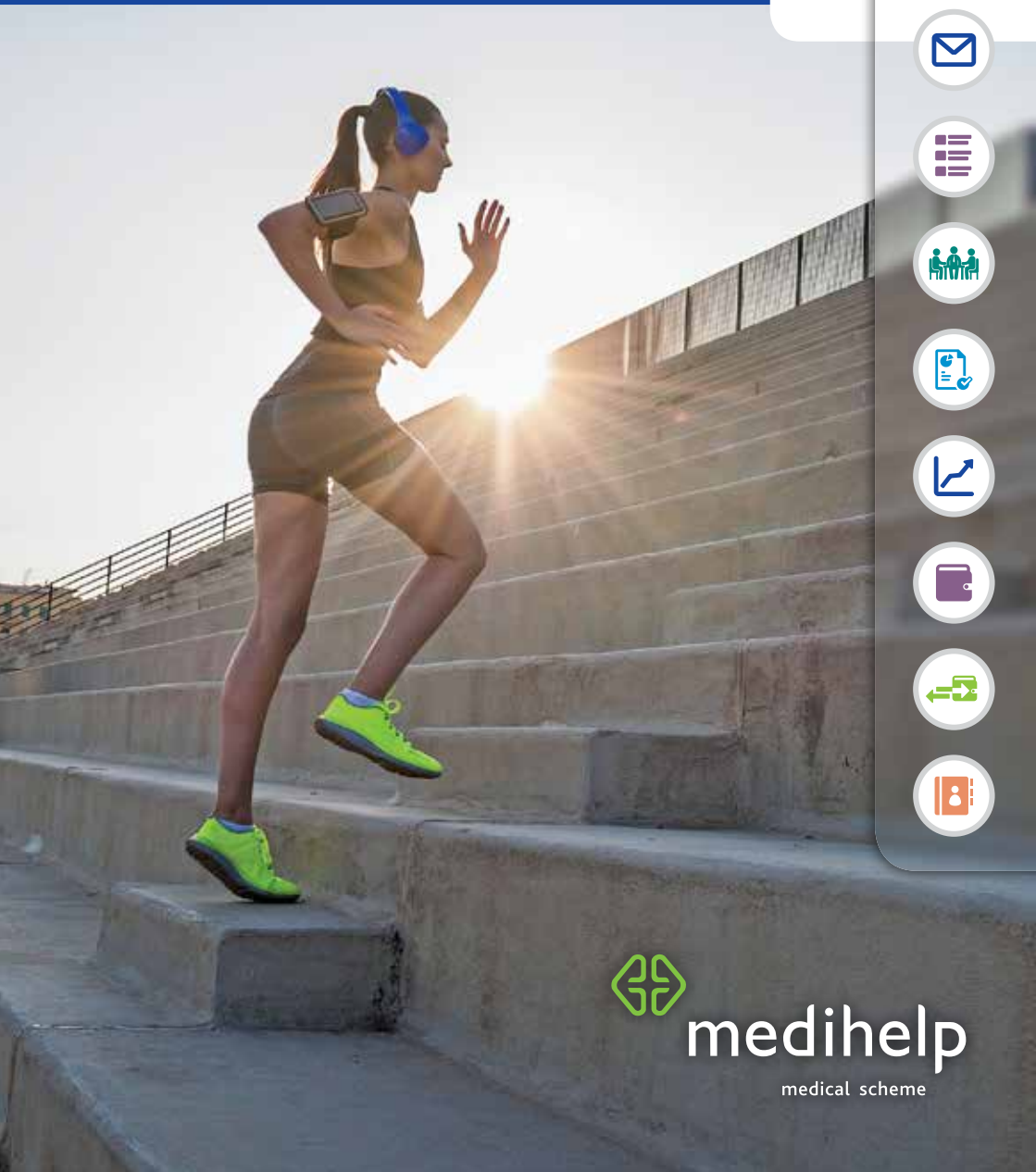
integrated annual report

2014



medihelp

medical scheme

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* References to notes and pages contained in the extracts of the Financial Statements relate to notes and pages of the audited Financial Statements for the year ended 31 December 2014.
A full set of the 2014 audited Financial Statements is available for inspection at the Scheme's offices.

message by the chairman of the board of trustees

Operating in an industry that is highly regulated and complex, in a country characterised by a continuous shortage of physicians, an ever-increasing disease burden and economic challenges, it is a privilege to report that Medihelp performed well in 2014. The Scheme retained its position as one of the top open medical schemes in the country, remaining stable in an industry which has seen considerable changes between 2004 and 2014: The number of open medical schemes has decreased by 50% since 2004, with only 23 open medical schemes remaining in 2014.

The 1st of January 2014 marked an important date in Medihelp's history. From this date onwards, Medihelp was no longer a self-administered scheme, since it sold its administration to Strata Healthcare Management. The strategic imperative for this decision by the Board of Trustees emanated from a pertinent need to change the Scheme's business model to one which is more conducive to membership growth. A need for a wider range of products which by law cannot be provided by the Scheme to its members, necessitated this change and resulted in Medihelp outsourcing its administration services to Strata. Members may rest assured that the Board remains committed to ensuring that members continue to have access to the best quality private healthcare through the Scheme's range of benefit options, and now, through its administrator, also to products that add value and augment the medical scheme offering.

The Scheme concluded the 2014 financial year with 223 131 lives under its care. In an effort to reduce out-of-pocket expenses of members, three specialist networks were established across all benefit options and co-payments on hospital procedures were substantially reduced – an approach which will also be pursued in 2015. Medihelp's network providers offer members access to high quality private healthcare services at scheme tariffs, which has brought about a significant premium saving of 20% in respect of the efficiency-discounted options of the Dimension Prime Network range.

Looking at Medihelp's claims-paying ability, the independent international credit rating company Global Credit Rating awarded Medihelp an AA– (AA minus) rating for the seventh consecutive year. This is the second-highest rating in the medical schemes industry and is an indication of Medihelp's continued sound financial management. In terms of its solvency ratio and accumulated funds, the Scheme once again maintained a healthy solvency ratio which at 27,89% exceeds the statutory requirement of 25%. In addition, its accumulated funds remain stable at R10 243 per member, totalling more than R1 billion.

Service levels remained high throughout the year. The third-party administrator's IT and electronic communication systems enabled us to respond effectively to changing needs. Delivering an individualised engagement experience in a complex business environment became a major focal point of Medihelp. The Scheme provided members access to a wide range of technology-driven tools, including secured websites, smartphone apps for members and advisers, as well as a wellness magazine in both electronic and printed format. All of these adequately facilitated ease of access and engagement with the Scheme.

In 2015 the Scheme will continue to focus on preventive care and the development of a wellness programme aimed at providing value while positively influencing lifestyle, adding more value-added products to the existing benefit options, increasing member retention, reinforcing a positive brand experience and limiting our members' out-of-pocket expenses.

Medihelp's achievements in 2014 are the result of dedication, innovation and the support of all role players. I would like to thank our members for being prepared to take greater responsibility for their own health, as well as for their prudent use of benefits, and express my gratitude to the members of the Board of Trustees for their time, commitment and drive to ensure that Medihelp continues to provide sustainable healthcare cover to thousands of South African families.

My sincerest thanks go to Strata Healthcare Management for ensuring that Medihelp remains viable and is administrated cost-effectively while continuing to address the needs of Medihelp's members. Thank you for your dedication in designing additional products that will augment our members' benefits and help them to improve and maintain their health.

And as always, our sincere gratitude to our Heavenly Father for His grace and guidance.

Chris Klopper
Chairman of the Board of Trustees

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overview by the principal officer

On 1 January 2014, Medihelp entered a new era. Following 108 years of self-administration, the Scheme sold off its administration component in support of a new business model designed to ensure continued sustainability in a rapidly evolving industry. This process, though substantial, was a seamless experience for members and achieved the objectives of Medihelp: to grow the Scheme, to offer members access to quality private healthcare services through viable benefit options, and to add value to members' Medihelp experience.

Medihelp remains one of the top five medical schemes in the country, and is one of very few medical schemes to report organic growth despite continued economic pressure on consumers. The Scheme attracted new members, contributing positively to the transformation of its overall risk profile.

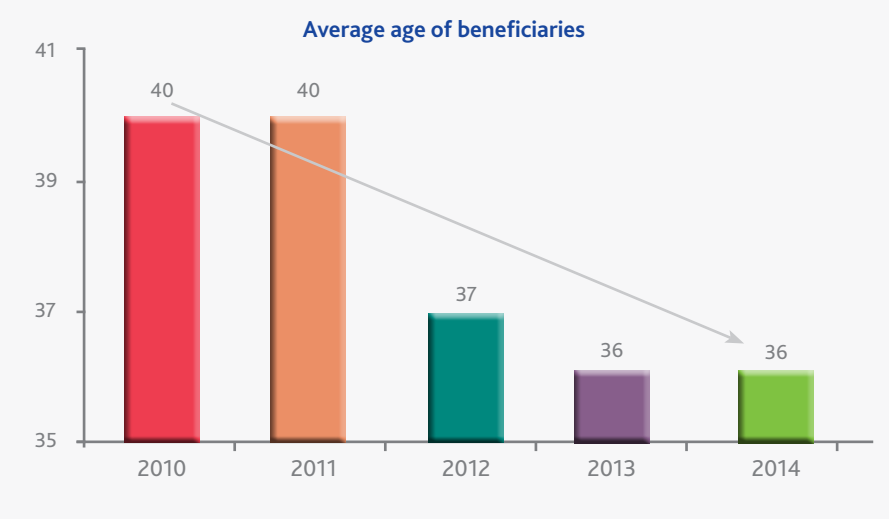
Sound financial and risk profile

Medical schemes are by nature exposed to high medical costs and influenced by the rate of medical inflation, new technological advancements, longevity of members, increases in benefit utilisation, and the significant impact of funding prescribed minimum benefits (PMB). Despite these challenges, Medihelp's solvency level of 27,89% continues to exceed the minimum level of 25% prescribed by the Medical Schemes Act, 1998 (Act No 131 of 1998), and the Scheme's non-healthcare expenses as a percentage of risk contributions amounted to a cost-effective 14,4%. The claims ratio as a percentage of risk contributions is 91%, which resulted in a pricing strategy for 2015 to align the healthcare expenditure with that of the industry.

New enrolments boost risk pools

Medihelp's transformation strategy has proved successful in that the Scheme once again achieved organic growth of 0,2% in 2014. However, retention of members remains a challenge.

The effect on Medihelp's risk pools is clear: The Scheme maintained its average beneficiary age of 36 years, whereas most other schemes reported an increase in average beneficiary age. The average age of the Scheme's principal members decreased from 58 years in 2007 to 48 in 2014.



Source: Medihelp Financial Statements 2010 - 2014

A further transformation in the Scheme's profile is the growth of its private member component from 36,7% in 2007 to more than 80% in 2014, mitigating the risk posed by government employees moving to GEMS.

Medihelp's average family size has increased from 0,99 dependants per member in 2010 to 1,19 in 2014, contributing to a healthier risk distribution.

Benefit enhancements and outcomes for 2014

One of the reasons for the successful enrolment of members with the preferred risk profile is the numerous benefit enhancements that characterised Medihelp's benefit options for 2014.

Co-payments reduced or removed

In the drive to reduce out-of-pocket expenses for members, numerous co-payments were reduced or removed on the Dimension range of benefit options for 2014. Members of the Dimension Prime range could benefit from the removal of nine different co-payments on procedures performed in-hospital, as well as the reduction of five co-payments by between 77,7% and 34%. Dimension Elite saw the removal of two co-payments, effectively putting R2 400 back into members' pockets.

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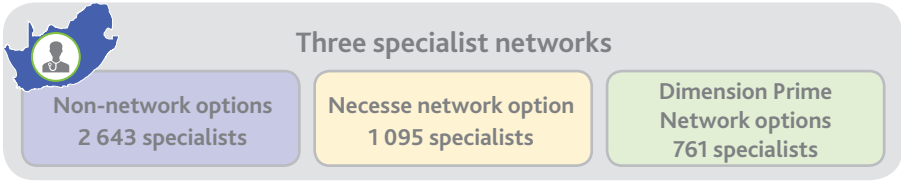
Improved benefits

The Necesse benefit option saw the introduction of new preventive care benefits, as well as a cardio risk programme for members above 60 years of age who suffer from diabetes, hypertension and high cholesterol. The eight consultations available per family in 2013 were also increased to nine consultations per beneficiary in 2014.

Other benefit options saw the inclusion of professional nursing fees for standard immunisation as part of the Scheme's focus to promote the use of preventive care benefits.

Networks expanded and DSPs introduced to ensure quality, cost-effective care

To curb the cost of specialist services, especially regarding PMB services, Medihelp introduced three different specialist networks across its benefit option offering in 2014. By visiting specialists who form part of these networks, members with PMB conditions can contain out-of-pocket payments.



With regard to chronic PMB medicine, a designated service provider (DSP) was introduced for the Dimension Prime Network benefit options to ensure the viability of these network options. In terms of subscription, these efficiency-discounted network options offer a 20% price differential from the non-network alternatives.

As part of the drive to contain co-payments, Medihelp also introduced DSPs for PMB prostheses and intracardial appliances in 2014 and appointed the Independent Clinical Oncology Network (ICON) as DSP for all PMB oncology treatment.

DBC programme

Medihelp's Document Based Care (DBC) back treatment programme offers an alternative to surgery for patients who adhere to specific clinical criteria. In 2014, 118 patients were treated on the programme, of which only three ultimately required surgery. The savings on potential surgery and hospital costs via this programme amounted to approximately R10 million.

An individualised engagement experience

Effective interaction with stakeholders is of strategic importance to Medihelp. We consider the voice of our customers as a guide to ensure the continued sustainability of the Scheme.

For this reason, we host mid-year stakeholder engagement events where we provide feedback on the Scheme's performance and introduce value-add initiatives aimed at enhancing the Medihelp experience. During these events, members and other stakeholders meet with the Scheme and the management team of its administrator and enjoy the opportunity to voice their opinions and put forward matters for discussion at the Annual General Meeting.

Product launches are held during the last quarter of each year to introduce benefit enhancements, new initiatives and products, and subscriptions for the following year. Newsletters containing detailed explanations of new features are distributed to all members, advisers and healthcare practitioners.

Sponsorship events such as the Medihelp Bike & Tekkie Challenge and the Medihelp Sunrise Monster are effective means of increasing brand awareness, and benefit learners with special educational needs and organisations like CANSA.

Secured web services

All our stakeholder groups have access to secured online environments where they can conduct their Medihelp business when and where they prefer – these include submitting claims (members), accessing previous claims statements or payment advices (members and healthcare providers), submitting monthly schedules (corporate clients), accessing details of clients (advisers) and a host of other functionalities. These web services are increasingly popular, with approximately 44 000 users registered for access to secured services in 2014.

Smartphone and device apps

Medihelp members have access to a smartphone app which supports, among other functionalities, the submission of claims and applications for pre-authorisation of hospitalisation, and even provides an electronic membership card which can be delivered to healthcare practitioners via Bluetooth. Advisers have access to an app for iPad and similar devices to enable them to advise their clients wherever they are. The app's most popular functionalities include an electronic application form complete with e-signature functionalities, benefit option information and direct access to Medihelp's systems to upload supporting documents. The app facilitates the advice and enrolment process and adheres to all applicable legislation. Close to 6 000 members and advisers made use of our apps for smartphones and hand-held devices in 2014.

Social media

Medihelp is active on a variety of social media platforms. Members can connect with Medihelp on Facebook, Google+, Instagram, Twitter, LinkedIn and Pinterest, where they can make use of the functionalities aimed at promoting a healthier lifestyle and gain a better understanding of the use of benefits. In 2014, 20 171 members shared their views and experiences on social media networks.

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Communication media to suit members' preferences

Stakeholders have the option to communicate with Medihelp in the medium of their choice – including telephone calls, traditional letters, emails, a secured website, the smartphone app, printed newsletters and more. The most commonly used communication mediums, as well as interaction on other engagement platforms, are depicted below:

A new business model offering new opportunities

Now administered by Strata Healthcare Management, the scope of products available to Medihelp's members has expanded, with value-add products introduced during 2014 to complement the market offering and to support the Scheme's growth strategy.

Value add in 2014/15

In 2014, we introduced **HealthPrint** – a health initiative exclusive to Medihelp members – to promote a healthy lifestyle and support members during different stages of life. **HealthPrint** is fully integrated with members' benefit options and offers participating members access to a variety of life stage-specific programmes: In 2014, Mom-2-be was introduced to provide pregnant mothers with support, information and exclusive gift packs supplied by relevant partners. For 2015, Medihelp introduced **HealthPrint Basic**, a health profile programme which allows members to gain significant insight into their personal health through access to claims and risk assessment data. It includes access to the MomMe life stage programme (for parents with toddlers up to six years) as well as MultiActive,

a programme designed to encourage an active lifestyle. In addition, Medihelp has also introduced its own web-driven MultiSport club for runners and cyclists, which has rapidly gained popularity.

Admed is a gap cover product to curb out-of-pocket expenses during hospitalisation, offered to Medihelp members in cooperation with Guardrisk, who have positioned the product in line with demarcation legislation. Since its introduction in October 2014, 1 776 policies have been activated, with the trend continuing into 2015.

SaveUp, an external savings account exclusively for Medihelp members was also launched in 2014. SaveUp is not subject to medical scheme regulations and can be linked to any Medihelp benefit option, which offers far greater flexibility. SaveUp can fund any medical service or product with a NAPPI code. Members earn interest on positive balances, are free to choose their monthly premium and may supplement their SaveUp funds with electronic funds transfers (EFT) payments throughout the year.

A chance to say thank you

Looking back over my first year as Principal Officer, I realise that a great deal of effort, commitment, energy and cooperation has been invested to reach our goals.

I would like to thank the Board of Trustees for their guidance and support throughout the year. I am privileged to work with such a dedicated team of people, who have the best interests of our members at heart.

A personal word of gratitude to our members, who are loyal and support us through our endeavours – your input and engagement with the Scheme assist us in meeting changing needs.

Thank you to the dedicated healthcare practitioners for offering quality care at affordable tariffs, and to those willing to enter into preferred supplier and designated service provider networks to the benefit of Medihelp's members.

A special word of thanks also goes to the advisers and intermediaries who provide our clients with professional service and the best advice. Your commitment and hard work has contributed significantly toward Medihelp's growth over the years.

To Strata Healthcare Management – thank you for your commitment to Medihelp's future success.

Heyn van Rooyen
Principal Officer

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report of the board of trustees

1. Description of the medical scheme

1.1 Terms of registration

Medihelp is a not-for-profit open medical scheme registered with reference number 1149 in terms of the Medical Schemes Act, 1998 (Act No 131 of 1998) as amended. Medihelp was previously a self-administered scheme which entered into an administration agreement with Strata Healthcare Management (Proprietary) Limited (hereinafter referred to as Strata Healthcare Management), on 1 January 2014. The sale of business transaction is disclosed in note 32 to the Financial Statements.

1.2 Insurance contract options within Medihelp

The Scheme offered seven insurance contract options to employees of participating employers and members of the public during the period under review:

- Medihelp Plus
- Dimension Elite
- Dimension Prime 3
- Dimension Prime 2
- Dimension Prime 1
- Necesse
- Unify

The Scheme provides cover for types of services that are categorised under core benefits and day-to-day services, of which the levels of cover differ per insurance contract. Types of services that qualify for core benefits include hospitalisation, prosthesis components, private nursing, emergency evacuation, blood transfusion, renal dialysis, technologist services, oxygen and oncology. Types of services that qualify for day-to-day benefits include consultations at general practitioners and specialists, radiology, pathology, dental, physiotherapy and optical services, medical, surgical and orthopaedic appliances, non-chronic and chronic medicine and supplementary health services out of hospital.

1.3 Savings plan

Personal medical savings constitute trust monies and are managed on the members' behalf in terms of the Scheme rules.

Members of the Dimension Prime 2 insurance contract pay an agreed sum of approximately 22% of their gross contributions into a savings plan to help pay the members' portion of healthcare costs, up to a prescribed threshold.

Members earn interest on balances in their respective savings accounts at the end of each month which is based on the interest earned by a savings trust account. No administration fee is charged by the Scheme.

The liability to members in respect of the savings plan is reflected as a financial liability in the Financial Statements, refundable in terms of regulation 10 of the Regulations under the Medical Schemes Act, 1998. Savings plan contributions are refundable when a member enrols in another insurance contract or another medical scheme without a personal medical savings account, or does not enrol in another medical scheme. The accumulated unutilised personal medical savings account balance will be transferred to the member in terms of the medical scheme's rules.

2. Management

2.1 Board of Trustees in office during the year under review (in alphabetical order)

Mr JC Klopper	Chairman	Elected by the members as a trustee and by the Board of Trustees as the Chairman on 26 June 2014
Mr HJ Koekemoer		Term expired on 26 June 2014
Ms EM Malan		
Mr PM van Deventer		Elected by the members as a trustee on 26 June 2014
Mr MJ Visser		
Dr HE Vosloo		
Mr PJ Vosloo	Vice-chairman	Elected by the members of the Board of Trustees as Vice-chairman on 26 June 2014

A quorum was present for all meetings held during 2014.

The terms of office of Ms EM Malan and Mr PJ Vosloo expire on 18 June 2015.

2.2 Principal Officer

Mr H van Rooyen — Appointed on 1 January 2014

2.3 Registered office address and postal address

410 Steve Biko Road, Arcadia, Pretoria, 0083
PO Box 26004, ARCADIA, 0007

2.4 Medical scheme administrator during the year

Strata Healthcare Management

415 Steve Biko Road, Arcadia, Pretoria, 0083
PO Box 26042, ARCADIA, 0007

The accreditation numbers as an administrator is 68 and as a managed care organisation is 78. Financial service provider number: 45722.

2.5 Investment managers during the year

The investment in the Allan Gray Life Domestic Balanced Portfolio which is managed by Allan Gray Life was realised on 8 September 2014 after the Board of Trustees approved the termination of the investment policy with Allan Gray Life.

Allan Gray Life Ltd
2nd Floor, Granger Bay Court, Beach Road, V&A Waterfront
PO Box 51318, V&A Waterfront, CAPE TOWN, 8002
Financial service provider number: 6663

2.6 Auditors

PricewaterhouseCoopers Inc
32 Ida Street, Menlo Park, Pretoria, 0102
PO Box 35296, MENLO PARK, 0102

2.7 Attorneys

MacRobert Inc
Cnr Justice Mahomed and Jan Shoba Streets, Brooklyn, Pretoria, 0181
Private Bag X18, BROOKLYN SQUARE, 0075

Gildenhuys Lessing Malatji Inc
GLMI House, Harlequins Office Park, 164 Totius Street, Groenkloof, 0027
PO Box 619, PRETORIA, 0001

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Dyason Attorneys
134 Muckleneuk Street West
Nieuw Muckleneuk
Pretoria
0181

Private Bag X15
BROOKLYN SQUARE
0075

3. Review of the accounting period's activities

3.1 Results of operations

The results of the year's activities are clearly set out in the Financial Statements and the Board of Trustees believes no further clarification is needed.

3.2 Funds and reserves

Movements in the members' funds and reserves are set out in the Statement of Changes in Funds and Reserves on page 15 of the Financial Statements. There were no unusual movements for the trustees to explain. The unrealised gain on the Allan Gray investment (Domestic Balanced Portfolio) was realised to the Statement of Comprehensive Income following the termination of the investment policy with Allan Gray Life.

3.3 Outstanding claims

The basis of the calculation and the movement of the outstanding claims provision are set out in note 11 to the Financial Statements and are consistent with prior years.

3.4 Operational statistics per insurance contract

	For the year ended 31 December 2014							
	Medihelp Plus	Dimension Elite	Dimension Prime 3	Dimension Prime 2	Dimension Prime 1	Necesse	Unify	Total
Average number of members during the accounting period	5 159	16 755	30 015	16 379	16 297	13 446	3 034	101 085
Number of members at the end of the accounting period	4 960	16 325	30 380	17 309	17 390	12 580	2 964	101 908
Average number of beneficiaries during the accounting period	7 293	28 783	73 110	38 372	38 974	24 007	9 836	220 375
Number of beneficiaries at the end of the accounting period	6 984	27 822	73 871	40 796	41 614	22 453	9 591	223 131
Dependants per member at the end of the accounting period	0,41	0,70	1,43	1,36	1,39	0,78	2,24	1,19
Risk contributions per average beneficiary per month	4 753,48	2 446,02	1 337,35	892,76	796,93	1 046,83	919,21	1 371,91
Relevant healthcare expenditure as a percentage of risk contributions	85,6%	91,5%	91,7%	91,8%	91,9%	94,5%	84,7%	91,0%
Relevant healthcare expenditure per average beneficiary per month	4 071,25	2 238,03	1 226,10	819,49	732,74	989,14	778,90	1 248,60
Non-healthcare expenses as a percentage of risk contributions *	6,6%	9,9%	13,5%	21,4%	22,4%	22,3%	14,1%	14,4%
Non-healthcare expenses per average beneficiary per month	313,86	242,01	180,29	191,12	178,40	233,04	129,46	197,80
Average age of beneficiaries	58	52	34	31	32	35	26	36
Pensioner ratio (beneficiaries > 65)	42,9%	33,0%	8,9%	8,2%	7,0%	9,2%	2,1%	12,2%
Average accumulated funds per member at the end of the accounting period **	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10 243
Return on investments as a percentage of investments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7,1%

	For the year ended 31 December 2013							
	Medihelp Plus	Dimension Elite	Dimension Prime 3	Dimension Prime 2	Dimension Prime 1	Necesse	Unify	Total
Average number of members during the accounting period	5 968	18 218	29 842	14 075	13 874	16 065	3 100	101 142
Number of members at the end of the accounting period	5 750	17 663	29 730	14 780	14 821	15 901	3 056	101 701
Average number of beneficiaries during the accounting period	8 589	32 117	72 937	32 785	32 901	29 489	10 173	218 991
Number of beneficiaries at the end of the accounting period	8 199	30 906	72 652	34 543	35 410	29 033	9 967	220 710
Dependants per member at the end of the accounting period	0,43	0,75	1,44	1,34	1,39	0,83	2,26	1,17
Risk contributions per average beneficiary per month	4 225,98	2 270,15	1 202,40	815,68	734,06	842,64	877,14	1 285,77
Relevant healthcare expenditure as a percentage of risk contributions	95,0%	84,6%	93,0%	93,4%	86,2%	98,8%	87,0%	90,9%
Relevant healthcare expenditure per average beneficiary per month	4 014,36	1 921,60	1 118,42	761,78	632,97	832,49	762,97	1 168,45
Non-healthcare expenses as a percentage of risk contributions *	13,4%	13,4%	13,4%	13,4%	13,4%	13,4%	13,4%	13,4%
Non-healthcare expenses per average beneficiary per month	564,54	303,26	160,63	108,96	98,06	112,57	117,18	171,76
Average age of beneficiaries	58	51	34	33	33	33	27	36
Pensioner ratio (beneficiaries > 65)	40,3%	30,0%	8,5%	8,9%	7,3%	7,1%	1,9%	12,1%
Average accumulated funds per member at the end of the accounting period **	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10 357
Return on investments as a percentage of investments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8,3%

* Non-healthcare expenses include administration expenditure, managed care: management services, broker service fees and net impairment losses.

** Accumulated funds are not apportioned per insurance contract.

3.5 Accumulated funds ratio

	2014 R	2013 R
Total members' funds per Statement of Financial Position	1 253 903 750	1 279 507 720
Less: Reserve for unrealised investment gains	(193 788 992)	(209 943 584)
Fair value adjustment at date of transition to IFRS for property, plant and equipment included in the accumulated funds	(16 290 109)	(16 290 109)
Accumulated funds per regulation 29 of the Regulations under the Medical Schemes Act, 1998	1 043 824 649	1 053 274 027
Gross contributions	3 742 889 647	3 468 448 488
Accumulated funds ratio calculated as the ratio of accumulated funds/gross annual contributions x 100	27,89%	30,37%
Minimum ratio required by regulation 29 of the Medical Schemes Act, 1998	25,00%	25,00%

3.6 Reporting in terms of International Financial Reporting Standards (IFRS)

The Board of Trustees applied all the applicable requirements of IFRS and the Medical Schemes Act, 1998 to the Financial Statements.

4. Management of insurance risks

The primary insurance activity carried out by the Scheme assumes the cost of healthcare provision to members and their dependants that are directly subject to the health of the Scheme's 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 involving pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements, as well as the monitoring of emerging issues. A team of forensic auditors investigates trends, service providers and members for possible fraudulent transactions on a continuous basis.

The Scheme uses several methods to assess and monitor insurance risk exposure both for individual and overall types of risks insured. These methods include internal risk measurement models, scenario analyses, managed healthcare protocols, reference pricing principles and managed care programmes. The results of model and scenario analyses are used for benefit design and pricing purposes. 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 will be greater than expected.

Insurance events are random by nature, and the actual number and size of events during any one year may vary from those estimated by using established statistical techniques. There are no changes to assumptions that are 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.

The Board of Trustees makes use of a Strategic Risk Register to manage risks to which the Scheme is exposed.

4.1 Risk transfer arrangements

The Scheme does not make use of commercial reinsurance cover and carries all risks from accumulated funds. This decision was taken after an actuarial model was used to determine the need for reinsurance cover and it was found to be unnecessary in view of the size of the Scheme. Commercial reinsurance cover would have resulted in an unjustifiable net expense for the Scheme.

The Scheme was party to risk transfer agreements with the following service providers during the year under review: ER24, UDIPA, Denis and PPN. Details regarding its nature, terms and conditions and results are disclosed in note 18 to the Financial Statements.

4.2 Actuarial services

Medical schemes, like Medihelp, do not by definition have long-term liabilities to members, which is why the Board of Trustees is of the opinion that an actuarial valuation of the Scheme is not required. The role of actuaries at medical schemes is mainly to enhance risk management measures. The Scheme's third-party administrator contracted Insight Actuaries and Consultants (Pty) Ltd to perform the necessary actuarial functions during 2014.

Insight Actuaries and Consultants (Pty) Ltd has been consulted regarding the determination of contribution and benefit levels. They also assisted in determining the assumptions used in the calculation of the outstanding claims provision, which are fully explained in the notes to the Financial Statements.

The Scheme uses actuarial valuations in determining its liability regarding post-employment benefits in terms of the requirements of IAS 19, Post-Retirement Employee Benefits. Insight Actuaries and Consultants (Pty) Ltd performed the valuation on the post-employment medical benefits. Simeka Consultants & Actuaries (Pty) Ltd performed the valuation on the pension benefits.

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Insight Actuaries and Consultants (Pty) Ltd
Ground Floor Block Central J
Central Park
400 16th Road
Midrand
1682

Private Bag X17
HALFWAY HOUSE
1685

Simeka Consultants & Actuaries (Pty) Ltd
3rd Floor
Podium at Menlyn
43 Ingersol Road
Cnr Lois and Atterbury Road
Menlyn
0181

Private Bag X137
HALFWAY HOUSE
1685

Financial service provider number 13900

5. Fidelity cover

Adequate fidelity cover exists as required by the Medical Schemes Act, 1998.

6. Sale of business transaction

The transaction relates to the purchase by Strata Healthcare Management of the relevant assets and liabilities of the Scheme's administration component and the establishment of an outsourced medical scheme administration and managed healthcare service by Strata Healthcare Management to the Scheme's members, with effect from 1 January 2014 ("the Effective Date").

The Scheme's employees were transferred to Strata Healthcare Management on the Effective Date without interruption of the transferred employees' contracts of employment. In terms of the transaction, employee-related liabilities (leave pay obligation, post-employment medical benefits and accrued long-term variable remuneration) were transferred to Strata Healthcare Management (refer to note 9).

As of the Effective Date, Mr H van Rooyen was employed as the Scheme's Principal Officer.

7. Investments in and loans to participating employers of members of the medical scheme and to other related parties

The Scheme holds investments in participating employers of medical scheme members (refer to paragraph 16.4 for non-compliance disclosure). The Scheme holds an investment in Curamed Holdings (Pty) Ltd, which forms part of a provider network that serves a number of members of the Scheme. Details are disclosed in note 28 to the Financial Statements.

8. Related party transactions

Related party transactions are disclosed in note 28 to the Financial Statements.

Trustee remuneration is disclosed in note 34 to the Financial Statements.

9. Audit Committee

An Audit Committee was established in accordance with the provisions of the Medical Schemes Act, 1998 and is mandated by the Board of Trustees by means of the Audit Committee Charter which regulates its membership, authority and duties.

The committee consists of five members, two of whom are members of the Board of Trustees. No employee of the Scheme or its third-party administrator formed part of the committee. The committee met on three occasions during the course of the year. The meetings were also attended by the Principal Officer, external audit as well as relevant senior management and internal audit of the third-party administrator who have a standing invitation to attend these meetings:

5 February 2014
10 April 2014
22 August 2014

The meetings were attended by all members of the committee, except for Mr MJ Brown who did not attend the meeting held on 22 August 2014 after an apology was received.

The committee reported to the Board of Trustees that:

- It has carried out its duties in terms of the Medical Schemes Act, 1998 and the Board of Trustees' written and approved Audit Committee Charter.
- The external auditors have confirmed their independence.
- It has carried out oversight of the risk and governance processes adopted and implemented by the Board of Trustees and management.
- The committee is satisfied that based on feedback provided by management and the internal auditors of the third-party administrator, the internal controls are adequate and effective.
- It has reviewed the Scheme's Financial Statements, including the accounting policies, and obtained assurance from the external auditors on the fair presentation of the Financial Statements in all material respects. The committee recommended that the Scheme's Financial Statements be approved by the Board of Trustees.

At year-end the committee comprised Mr JFJ Scheepers (chairman), Mr MJ Brown, Ms JCE du Toit, Mr MJ Visser and Mr PJ Vosloo.

10. Investment Committee and Strategy

An Investment Committee was established and is mandated by the Board of Trustees by means of written terms of reference to its membership, authority and duties. This committee consists of four members who are members of the Board of Trustees. No employee of the Scheme or its third-party administrator formed part of the committee. The committee met on three occasions during the year:

13 February 2014
3 September 2014
12 November 2014

The meetings were attended by all members of the committee, except for Mr JC Klopper who did not attend the meeting held on 3 September 2014 after an apology was received.

The purpose of the Investment Committee is to assist the Board of Trustees in fulfilling its responsibilities by ensuring that the relevant laws and regulations relating to the investment of excess funds are adhered to and to review the investment policy and Investment Committee Charter for approval by the Board of Trustees. The committee also provides an enabling environment for the proper administration of Medihelp's investments.

The Investment Committee discharged its responsibilities during 2014 as follows:

- A representative from Allan Gray Life was invited to the first meeting of the year, to present the performance of the Life Domestic Balanced Portfolio, and to answer questions relating to the portfolio. As a result, the committee ensured that the long-term investment was evaluated regularly to ensure maximum return.

- The performance of other short- and long-term investments was also evaluated via reports submitted and presented to the committee during meetings held.
- After considering the implications and cost of the termination of the policy with Allan Gray (investment in the Domestic Balanced Portfolio), the disinvestment and resulting realisation of unrealised gains were recommended for approval to the Board of Trustees.

Approval was given for disinvestment in September 2014.

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 constraints imposed by legislation as well as those imposed by the Board of Trustees.

The mandate given by the Board of Trustees to the Investment Committee is to invest surplus funds in accordance with risk-minimising measures at institutions offering the highest possible returns. The Scheme invests in fixed deposits (short-term investments averaging 90 days) for purposes of cash flow planning related to predetermined claims payment dates.

The Scheme owned the following long-term investments during the 2014 financial year:
- Investment in Allan Gray Domestic Balanced Portfolio. Refer to detail above on the realisation of the investment.
- Investment in Curamed Holdings (Pty) Ltd shares – refer to paragraph 16.1 of the Board of Trustees' report for further detail.
- Investment in Sanlam shares – refer to paragraph 16.4 of the Board of Trustees' report and note 5 to the Financial Statements.
- Investment properties – refer to note 4 to the Financial Statements.

At year-end the committee comprised Mr PJ Vosloo (chairman), Mr JC Klopper, Mr PM van Deventer and Mr MJ Visser.

11. Rule Committee

A Rule Committee was established and is mandated by the Board of Trustees by means of written terms of reference to its membership, authority and duties. This committee consists of three members who are members of the Board of Trustees and possess in-depth knowledge of the Scheme's philosophy with regard to the Rules, the history of the Rules and the Scheme's operational processes and activities. No employee of the Scheme or its third-party administrator formed part of the committee. Due to the implications of the Rules on the functioning of the Scheme and the liabilities that the Scheme can incur in this regard, the Rule Committee may co-opt persons with legal, financial and other expertise.

The committee met once during the year:

22 August 2014

The meeting was attended by all members of the committee.

The committee's function is to make recommendations on rule amendments to the Board of Trustees, in order to support the Board in its responsibility to ensure that:
- The Rules of Medihelp comply with all legal and regulatory directives; and
- The Rules create an enabling environment for the proper administration of the affairs of Medihelp.

At year-end the committee comprised Ms EM Malan (chairman), Mr PM van Deventer and Dr HE Vosloo.

12. Restructuring Committee

The Restructuring Committee was established and mandated by the Board of Trustees with written conditions regarding its membership, rights and responsibilities. At year-end the committee consisted of three members of the Board of Trustees. No employee of the Scheme or its third-party administrator formed part of the committee. The main purpose of the committee is to investigate amalgamation opportunities. The committee met on three occasions during the year:

15 May 2014
9 June 2014
25 August 2014

These meetings were attended by all members of the committee.

The Restructuring Committee discharged its responsibilities for the year under review as follows:
- Identified medical schemes which indicated potential for amalgamation.
- Met with the relevant stakeholders to negotiate on possible amalgamations.
- Liaised with the Council for Medical Schemes regarding potential amalgamations.

At year-end the committee comprised Mr PJ Vosloo (chairman), Mr JC Klopper and Ms EM Malan.

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13. Nominations Committee

The Nominations Committee was established and mandated by the Board of Trustees with written conditions regarding its membership, rights and responsibilities. This committee consists of two members who are members of the Board of Trustees. No employee of the Scheme or its third-party administrator formed part of the committee. The committee met on two occasions during the course of the year:

5 February 2014
16 April 2014

These meetings were attended by all members of the committee.

The Nominations Committee discharged its responsibilities for the year under review as follows:

- Ensured the establishment of a formal process for the nomination of trustees in terms of the registered Rules of the Scheme.
- Recommended the nomination of accepted candidates to the Board of Trustees for approval.

At year-end the committee comprised Mr JC Klopper (chairman) and Dr HE Vosloo.

14. Claim against National Treasury

The National Treasury paid subsidies on behalf of state pensioners to Medihelp as their contribution or part thereof. During the past few years, National Treasury unilaterally deducted from the monthly subsidy payments of other members, amounts for past subsidies paid of pensioners who did not, in terms of the rules of National Treasury, qualify for subsidy any more. However, these pensioners enjoyed membership of Medihelp. Medihelp has issued summons against National Treasury for the repayment of the amount that was illegally deducted. The date for the court case is set for 18 November 2015. Refer to the contingent asset disclosure in note 30 to the Financial Statements.

15. Board of Trustees and committee meeting attendance and remuneration

The following schedule sets out the attendance at meetings of the Board of Trustees and attendance by members of committees of the Board of Trustees. Trustee remuneration is disclosed in note 34 to the Financial Statements.

Trustee/committee member	Scheduled Board meetings	Special Board meetings	Audit Committee meetings	Investment Committee meetings	Rule Committee meetings	Restructuring Committee meetings	Nominations Committee meetings
Number of meetings for the year	6	3	3	3	1	3	2
Trustees							
JC Klopper	6	3		2		3	2
HJ Koekemoer*	3	1		1			
EM Malan	6	3			1	3	2
MJ Visser	6	3	3	3			
PM van Deventer**	3	2		2	1		
HE Vosloo	6	3			1		
PJ Vosloo	6	3	3	3		3	
Independent members							
MJ Brown			2				
C du Toit			3				
JFJ Scheepers			3				

* Mr HJ Koekemoer's term on the Board of Trustees expired on 26 June 2014 and therefore only attended committee meetings held until this date.
** Mr PM van Deventer was elected to the Board of Trustees on 26 June 2014 and therefore only attended committee meetings held after this date.

16. Non-compliance with the Medical Schemes Act

16.1 Aggregate fair value of investments not according to regulation 30(1) and Annexure B of the Medical Schemes Act, 1998

In terms of regulation 30(1) and Annexure B of the Medical Schemes Act, 1998 the maximum percentage of aggregate fair value of liabilities for investments in unlisted shares is 2,5%. Due to the substantial increase in the fair value of Curamed Holdings (Pty) Ltd the Scheme exceeds this limitation, but the cost of the investment still falls within the 2,5% requirement. However, the Scheme's Board of Trustees classified this as a long-term strategic asset that will not be sold in the short term. The Scheme applied to the Council for Medical Schemes for exemption in terms of regulation 30(8) which was granted until 31 December 2017.

16.2 Contribution income not received after three days of becoming due

In terms of section 26(7) of the Medical Schemes Act, 1998 all subscriptions or contributions must be paid directly to a medical scheme not later than three days after payment thereof becoming due. In this regard, rule 18(10) of the Rules of the Scheme stipulates that the Board of Trustees must take all reasonable steps to ensure that contributions are paid timeously to the Scheme in accordance with the Act and the Rules. In order to give effect to this stipulation, rule 11(6) determines the manner in which arrear subscriptions are dealt with. However, with regard to the application of section 26(7) of the Medical Schemes Act, 1998 it is important to note that the Scheme has no control over the timely payment of subscription to the Scheme. This issue was raised with the Registrar of Medical Schemes and the Scheme has received written confirmation from the Council for Medical Schemes that the legal obligation lies with the member/employer to pay subscription within the prescribed period.

16.3 Financial soundness of insurance contracts

In terms of section 33(2) of the Medical Schemes Act, 1998 each insurance contract must be self-supporting in terms of membership and financial performance and shall be financially sound. The Dimension Prime 3, Dimension Prime 2, Dimension Prime 1 and Necesse insurance contracts operated at a deficit for the year ended 31 December 2014. A financial contribution increase strategy was followed for 2015 which resulted in substantial increases. Limitations on healthcare expenditure per insurance contract were also introduced.

16.4 Investments in the business of or granting of loans to an administrator

In terms of section 35(8)(c) of the Medical Schemes Act, 1998 a medical scheme shall not invest any of its assets in the business of or grant loans to any administrator. The Scheme held investments in Liberty Holdings Limited, MMI Holdings Limited, Old Mutual PLC and Sanlam Limited through its investment portfolio in the Allan Gray Life Limited Domestic Balanced Portfolio (which was realised in September 2014) and it also holds a direct shareholding in Sanlam Limited. Section 35(8)(a) states that a medical scheme shall not invest any of its assets in the business of or grant loans to an employer who participates in the medical scheme. The Scheme held investments via the Allan Gray Life Limited Domestic Balanced Portfolio in Gold Fields Limited, Murray & Roberts Holdings Limited and African Bank Investments Limited. It is the view of the trustees that these investments do not pose a risk to the Scheme. The Scheme applied to the Council for Medical Schemes for exemption in terms of regulation section (8)(c) which was granted until 31 December 2016.

16.5 Commission paid out on contributions not received

In terms of Chapter 7, Section 28(5) of the Medical Schemes Act, 1998 payment by a medical scheme to a broker in terms of sub-regulation (2) shall be made on a monthly basis and upon receipt by the scheme of the relevant monthly contribution in respect of that member. The Scheme's broker payment process does not cater for commission clawbacks where the contribution receivable was not in fact received and the broker was still paid commission based on the receivable contribution. System changes to do clawbacks on commission paid are currently being developed and tested for implementation.

JC Klopper
Chairman

PJ Vosloo
Vice-chairman

23 April 2015

statement of responsibilities by the board of trustees

The trustees are ultimately responsible for the preparation, integrity and fair presentation of the Financial Statements of the Scheme. The Financial Statements presented on pages 13 to 56 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Schemes Act, 1998 as amended and include amounts based on judgements and estimates made by management.

The trustees consider that in preparing the Financial Statements the most appropriate accounting policies were implemented, consistently applied and supported by reasonable judgements and estimates, and that all IFRS requirements considered to be applicable have been followed.

The trustees are ultimately responsible for ensuring that accounting records are kept. These records should disclose with reasonable accuracy the financial position of the Scheme. The Scheme operated in an established controlled environment, which is properly documented and regularly reviewed.

The going-concern basis has been adopted in preparing the Financial Statements. Based on forecasts and available cash resources, the trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future.

The Scheme's external auditors, PricewaterhouseCoopers Incorporated, audited the Financial Statements. The audit report is presented on pages 11 to 12.

The Financial Statements were approved by the Board of Trustees on 23 April 2015 and are signed on their behalf by:

JC Klopper
Chairman

PJ Vosloo
Vice-chairman

H van Rooyen
Principal Officer

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statement of corporate governance by the board of trustees

The Board of Trustees is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Medihelp Board of Trustees Charter, which includes the requirement that each trustee sign an Undertaking in terms of the Medihelp Code of Conduct, has been adhered to. The trustees are also committed to the principles of the Code of Corporate Practices and Conduct as set out in the King Report on Governance (King III).

Board of Trustees

The trustees meet regularly and monitor the performance of the Scheme. They address a range of key issues and ensure that discussions on items of policy, strategy and performance are critical, informed and constructive.

The Board of Trustees consists of six members who are elected by members at the Annual General Meeting. Trustees are elected and appointed for a three-year period and may be re-elected.

All trustees have access to the advice and services of the Principal Officer and the Scheme's third-party administrator and, where appropriate, may seek independent professional advice at the expense of the Scheme to support them in their duties. In terms of the Board of Trustees Charter, trustees should ensure that an annual performance evaluation is completed to identify training needs of trustees. The Board of Trustees Charter also determines that the performance of all subcommittees is assessed on an annual basis to ensure the credibility of the committees. The Board of Trustees ensures that the performance of service providers and the third-party administrator are monitored in line with applicable service level agreements.

Internal control

The Board of Trustees establishes and manages internal controls (manual and automated) and systems, which are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the Financial Statements and to safeguard its assets, through the appointment of internal auditors. The third-party administrator provides internal audit services to the Scheme. The Scheme's internal controls are based on established policies and procedures and are exercised by the third-party administrator as contracted and in line with the approved delegation of authority.

The third-party administrator's Information Technology (IT) Governance Framework supports effective and efficient management of IT resources to facilitate the achievement of the strategic objectives of the Scheme. The framework is applied in conjunction with the IT Governance Charter and aligned with best practices and standards. The IT Governance Report gives feedback on IT performance, security, investments, service levels and governance issues to the Board.

No event or matter has come to the attention of the Board of Trustees that would indicate a material breakdown in the functioning of the key internal controls and systems which were in operation during the year under review.

JC Klopper
Chairman

PJ Vosloo
Vice-chairman

H van Rooyen
Principal Officer

23 April 2015

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corporate governance report

1. Introduction and general overview

This report on Medihelp's corporate governance provides a general overview of Medihelp's approach to good corporate governance. Medihelp's corporate governance aims to inspire trust with its members and other stakeholders inter alia by establishing good leadership, a balance of power, the protection of members' interests and encouraging strategic conversation. Medihelp's bottom-line performance is governed by a competitive strategy, performance/risk management effectiveness, tone at the top and statutory/regulatory compliance.

2. The Board of Trustees (BOT)

The BOT consists of six trustees nominated by members and elected at the Annual General Meeting. There is no maximum number of meetings but normally five meetings are scheduled during a financial year. Special Board meetings are also held in addition to the scheduled meetings if required by circumstances. The Scheme's Rules stipulate that the BOT must meet at least once every three months. For more information on the trustees and their attendance of meetings, refer to page 27 of this integrated annual report.

The BOT operates committees as described on pages 22 to 26.

Only the BOT may appoint members to committees. The Board delegates specific tasks and ongoing roles to the mentioned committees in order to spread the work load, speed up research and debates, obtain the required additional expertise or act as a control measure over certain functions of the Board. The delegation of these tasks to Medihelp's committees does not diminish the Board's responsibilities in these areas. Committees report back to the Board on their findings and recommendations, but authority for reaching the final decision rests with the Board.

All Board committees are chaired by a member of that committee who is appointed by the BOT. The Audit Committee Charter makes provision for independent members to serve on the committee.

2.1 Decision-making by the BOT

All issues on which the BOT has to decide are formally presented in the board pack to the Board for their consideration. These presentations are in the form of written submissions by the Principal Officer and the Managing Director & CEO, Executive Directors and Senior Managers of Strata Healthcare Management.

The submissions provide detailed background information on the issue which is then discussed, conclusions drawn within the context of the Scheme and a course of action recommended. The BOT then deliberates these submissions and a majority decision regarding the course of action is taken. The Principal Officer is then instructed to execute the decision of the BOT and where applicable, report back to the BOT.

Issues relating to the activities of the committees of the BOT are first dealt with in the manner described above, after which the matter, together with a recommendation, is put to the BOT for deliberation and decision-making.

All meetings of committees and the BOT are minuted and therefore all decisions taken by the BOT are accurately recorded and properly indexed.

The Scheme did not refuse any requests for information in terms of the Promotion of Access to Information Act, 2000 (Act No 2 of 2000).

2.2 Risk Management

As recommended in the King Report on Governance for South Africa 2009 (King III), Medihelp established a Risk Management Committee and a Risk Management Committee Charter was also approved in September 2010. This committee consists of the Principal Officer and representatives of Strata Healthcare Management. The Risk Management Framework for Medihelp has the following stated objective: "The purpose of the Risk Management Framework is to set out the guidelines within which the total process of risk management is to be dealt with by Medihelp, both from an internal and external perspective."

King III also recommends that appropriate processes should be put in place to address compliance as part of the broader risk management framework. In terms of the agreement for administration services between the Scheme and Strata Healthcare Management, the administrator is responsible to monitor compliance with legislative requirements and King III.

Medihelp's central source of guidance, advice and secretariat support to the BOT, Board committees and the Scheme on matters of ethics and good governance, is seated in the Legal & Commercial Advice Portfolio of Strata Healthcare Management.

3. Remuneration Policy

Medihelp has a performance-based remuneration philosophy for its employees. The organisation's strategy and key performance indicators are approved by the BOT annually. The organisation's key performance indicators provide for three levels of performance, which are verifiable. Individual performance is agreed on, managed and evaluated through a talent investment cycle.

The remuneration policy is designed to remunerate employees at market-competitive levels while taking into account the Scheme's financial ability. All employees receive both a fixed and a variable remuneration component. The short-term variable remuneration scheme for staff is based on the organisation's key performance indicators and funded from better-than-budgeted financial performance. There is no provision for short-term variable remuneration for the 2014 financial year-end (2013: R18 927 512).

Medihelp's BOT members are paid an honorarium in terms of rule 17.19 of the Rules of Medihelp. Medihelp uses the services of a human resource consultancy to advise the Scheme on market-related benchmarks and adjustments for Board and committee members' honoraria. The policy on the payment of the honoraria is approved by the Annual General Meeting and a fee is paid per Board meeting and committee meeting attended by Board members.

The honoraria paid to the trustees are included in this integrated annual report under the heading "Trustees' remuneration" on page 44. The benefits paid to employees who are responsible for the management of the Scheme, namely the Principal Officer, are disclosed in the Financial Statements under "Related Party Transactions".

4. Report of the Audit Committee

In addition to the information presented on page 22 of this integrated annual report, the Audit Committee reports that:

- It has considered the Internal Audit Charter of the administrator;
- It has reviewed the integrated report and recommended that the Board of Trustees approves it;
- It has monitored the relationship between the external assurance providers and the Scheme;
- It has reviewed and approved the internal audit plan and internal audit reports;
- It has oversight of the Scheme's financial reporting risks, internal financial controls, fraud risks as these relate to financial reporting and information technology (IT) risks as these relate to financial reporting;
- It has recommended to the BOT the appointment of the external auditor; and
- A self-evaluation of the Audit Committee was performed.

4.1 Qualifications of the members of the Audit Committee

The members of the Audit Committee hold the following qualifications:
Mr MJ Brown – CA (SA)
Ms JCE du Toit – B Com (Law), Hons B Compt, CA(SA), CIA, CGAP, CCSA
Mr JFJ Scheepers – M Com (Acct), CA (SA)
Mr MJ Visser – B Com, HED, B Ed, MBA
Mr PJ Vosloo – M Com, MBA, CA (SA)

4.2 Risk management

The Audit Committee reviewed the BOT's risk evaluation and risk management plan and made recommendations thereon.

4.3 Corporate governance

The Audit Committee reviewed the Principal Officer's governance report and made recommendations thereon.

4.4 Internal audit

The Scheme outsourced the Internal Audit function to the administrator. Internal Audit is operating in accordance with a three-year audit plan, including a detailed plan for the first year, using an appropriate risk-based methodology.

The Forensic Audit component is guided by the Medihelp Fraud and Corruption Policy and conducts investigations into matters reported through existing fraud reporting channels, as well as pro-active investigations in high-risk areas.

Internal audit findings together with management comments and corrective actions instituted are periodically reported to the Audit Committee. The Audit Committee is of the opinion that Internal Audit is operating effectively and conducts their affairs in compliance with the service level agreement between Medihelp and the administrator.

4.5 External audit

The Audit Committee evaluated the work done by the external auditors and reviewed the audited Financial Statements of the Scheme in conjunction with their management letter and audit report.

The Audit Committee concurs with and accepts the conclusions of the external auditors as contained in their report.

4.6 Compliance

External audit management letters and internal audit reports were reviewed to ensure that matters regarding compliance with laws and regulations, raised in the aforementioned management letters and reports, are timeously addressed and rectified.

The Scheme outsourced its compliance function to the administrator.

4.7 Finance function

From the various internal and external reports and a review of the qualifications and experience of the administrator's finance personnel it is evident that the administrator's executive management consists of suitably qualified and industry experienced people.

The Committee is satisfied that the Scheme's and the administrator's policies and procedures implemented by the administrator's management were sufficient to ensure that the internal controls relating to accounting and information systems are adequate, effective and in compliance with the requirements of the Council for Medical Schemes.

statement of financial position at 31 december 2014

	Note	2014 R	2013 R
ASSETS			
NON-CURRENT ASSETS		236 824 164	374 065 466
Property, plant and equipment	3.	219 571	27 581 623
Investment properties	4.	26 151 655	-
Available-for-sale financial assets	5.	210 452 938	346 483 843
CURRENT ASSETS		1 279 556 407	1 193 797 750
Trade and other receivables	6.	127 062 918	99 679 077
Advance accounts in debit	7.	1 017 788	1 017 788
Cash and cash equivalents	8.	1 151 475 701	1 046 910 184
Scheme		1 099 613 116	1 005 352 869
Personal medical savings account trust monies invested		51 862 585	41 557 315
Assets of disposal groups classified as held-for-sale	9.	-	46 190 701
Total assets		1 516 380 571	1 567 863 216
MEMBERS' FUNDS AND LIABILITIES			
ACCUMULATED FUNDS		1 253 903 750	1 279 507 720
NON-CURRENT LIABILITIES			
Post-employment benefits	10.1	5 525 842	5 117 028
CURRENT LIABILITIES		256 950 979	283 238 468
Outstanding claims provision	11.	116 532 275	117 619 977
Personal medical savings account trust liability	12.	54 960 090	43 622 958
Advance accounts in credit	7.	7 854 734	7 854 734
Leave pay obligation	13.	187 569	57 137
Trade and other payables	14.	77 416 311	91 318 409
Liabilities of disposal group classified as held-for-sale	9.	-	22 765 253
Total funds and liabilities		1 516 380 571	1 567 863 216

statement of comprehensive income for the year ended 31 december 2014

	Note	2014 R	2013 R
Risk contribution income	15.	3 628 010 292	3 378 855 329
		3 628 010 292	3 378 855 329
Relevant healthcare expenditure		(3 301 915 603)	(3 070 571 024)
Net claims incurred	16.	(3 300 186 050)	(3 055 847 027)
Risk claims incurred		(3 306 694 408)	(3 060 080 372)
Third-party claims recoveries		6 508 358	4 233 345
Net expense on risk transfer arrangements		(1 729 553)	(14 723 997)
Risk transfer arrangement fees/premiums paid	18.	(262 746 375)	(265 511 267)
Recoveries under risk transfer arrangements	18.	258 257 928	247 837 164
Net profit share arising from risk transfer arrangements	18.	2 758 894	2 950 106
Gross healthcare result		326 094 689	308 284 305
Managed care: Management services	17.	(76 698 859)	(68 163 432)
Broker service fees	19.	(55 581 653)	(49 606 626)
Administration expenditure	20.	(377 728 681)	(322 602 372)
Net impairment losses on healthcare receivables	21.	(13 076 444)	(11 001 481)
Net healthcare result		(196 990 948)	(143 089 606)
Other income		191 910 752	77 408 348
Investment income	23.	173 760 782	73 857 477
Scheme		171 225 862	72 075 638
Personal medical savings account trust monies invested		2 534 920	1 781 839
Operating rent received - investment properties		12 096 788	-
Sundry income	24.	6 053 182	3 550 871
Other expenditure		(4 126 530)	(3 542 089)
Asset management fees	5.	(1 591 610)	(1 759 144)
Interest paid	22.	(2 534 920)	(1 782 945)
Net deficit for the year		(9 206 726)	(69 223 347)
Other comprehensive income		(16 397 244)	42 447 822
Fair value adjustment on available-for-sale financial assets	5.	(16 154 592)	43 578 997
Remeasurement of post-employment benefit obligation	10.	(242 652)	(1 131 175)
Total comprehensive deficit for the year		(25 603 970)	(26 775 525)

statement of changes in funds and reserves for the year ended 31 december 2014

	Accumulated funds R	Revaluation reserve for available-for-sale financial assets R	Total members' funds R
Balance as at 1 January 2013	1 139 918 658	166 364 587	1 306 283 245
Comprehensive income			
Deficit for the year	(69 223 347)	-	(69 223 347)
Other comprehensive income	(1 131 175)	43 578 997	42 447 822
Fair value adjustment on available-for-sale financial assets	-	43 578 997	43 578 997
Actuarial loss on post-employment benefit obligation	(1 131 175)	-	(1 131 175)
Total comprehensive (loss)/income for the year	(70 354 522)	43 578 997	(26 775 525)
Balance as at 31 December 2013	1 069 564 136	209 943 584	1 279 507 720
Balance as at 1 January 2014	1 069 564 136	209 943 584	1 279 507 720
Comprehensive income			
Deficit for the year	(9 206 726)	-	(9 206 726)
Other comprehensive loss	(242 652)	(16 154 592)	(16 397 244)
Fair value adjustment on available-for-sale financial assets	-	(16 154 592)	(16 154 592)
Unrealised gain on available-for-sale financial assets (Curamed Holdings (Pty) Ltd and Sanlam Limited)	-	52 572 853	52 572 853
Unrealised gain on available-for-sale financial assets (Allan Gray Life Limited – Domestic Balanced Portfolio)	-	(20 197 941)	(20 197 941)
Realisation of revaluation reserve to Profit and Loss	-	(88 925 386)	(88 925 386)
Actuarial loss on post-employment benefit obligation	(242 652)	-	(242 652)
Total comprehensive loss for the year	(9 449 378)	(16 154 592)	(25 603 970)
Balance as at 31 December 2014	1 060 114 758	193 788 992	1 253 903 750

trustees' remuneration

2014	Board of Trustees' meeting attendance R	Fees for committee meeting attendance R	Telephone allowance R	Total remuneration R	Travel and accommodation R	Conference fees R	Total considerations R
JC Klopper	314 760	86 916	1 200	402 876	1 547	-	404 423
HJ Koekemoer*	64 312	9 692	600	74 604	-	-	74 604
EM Malan	136 824	69 358	1 200	207 382	68 874	-	276 256
PM van Deventer*	72 512	31 110	600	104 222	1 673	-	105 895
MJ Visser	136 824	69 317	1 200	207 341	40 360	29 404	277 105
HE Vosloo	136 824	10 370	1 200	148 394	45 190	-	193 584
PJ Vosloo	215 600	155 195	1 200	371 995	119 790	-	491 785
	1 077 656	**431 958**	**7 200**	**1 516 814**	**277 434**	**29 404**	**1 823 652**

* The term of office of Mr HJ Koekemoer expired and Mr PM van Deventer was elected to the Board of Trustees on 26 June 2014.

2013	Board of Trustees' meeting attendance R	Fees for committee meeting attendance R	Telephone allowance R	Total remuneration R	Travel and accommodation R	Conference fees R	Total considerations R
JC Klopper	333 836	53 202	1 200	388 238	-	-	388 238
HJ Koekemoer	121 352	54 952	1 100	177 404	-	-	177 404
EM Malan	153 508	58 152	1 200	212 860	50 964	-	263 824
MJ van Staden*	57 040	36 402	600	94 042	4 204	-	98 246
MJ Visser*	96 468	12 666	600	109 734	-	-	109 734
HE Vosloo	153 508	72 804	1 200	227 512	59 717	-	287 229
PJ Vosloo	228 668	82 052	1 200	311 920	74 783	-	386 703
	1 144 380	**370 230**	**7 100**	**1 521 710**	**189 668**	**-**	**1 711 378**

* The term of office of Prof MJ van Staden expired and Mr MJ Visser was elected to the Board of Trustees on 20 June 2013.

agenda for the annual general meeting

The agenda for Medihelp's AGM to be held in the Ruby Auditorium at the CSIR International Conference Centre, Meiring Naudé Road, Brummeria, Pretoria on Thursday, 18 June 2015 at 15:00 is as follows:

1. Opening
2. Approval of the minutes of the AGM of 26 June 2014
3. Matters arising from the minutes of the previous AGM
4. Integrated annual report
5. Audited Financial Statements as at 31 December 2014
6. Trustee and Principal Officer remuneration
7. Inputs and proposals from the 2015 regional information sessions and members for the AGM
8. Announcement of the voting results of the voting for:
   - 8.1 External auditors
   - 8.2 Trustees
   - 8.3 Rule amendment
9. Closing

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