ANGLO MEDICAL SCHEME

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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FOR THE YEAR ENDED 31 DECEMBER 2014

The reports and statements set out below comprise the annual financial statements presented to members:

ANGLO MEDICAL SCHEME

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of Anglo Medical Scheme. The Annual Financial Statements presented on pages 3 to 30 have been prepared in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Medical Schemes Act 131 of 1998, as amended (the "Act") and include amounts based on judgements and estimates.

The Trustees consider that in preparing the Annual Financial Statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees are satisfied that the information contained in the Annual Financial Statements fairly presents the results of operations and cash flows for the year and the financial position of the Scheme at year-end. The Trustees are also responsible for the other information included in the Board of Trustee report and are responsible for both its accuracy and its consistency with the Annual Financial Statements.

The Trustees are responsible for ensuring that proper accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Scheme which enables the Trustees to ensure that the Annual Financial Statements comply with the relevant legislation.

Anglo Medical Scheme operates in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled. No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.

The Annual Financial Statements have been prepared using the going concern basis. The Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts, actuarial calculations and available cash resources. These Annual Financial Statements support the viability of the Scheme.

Anglo Medical Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The code of Corporate Practices and Conduct has been applied as set out in King III on Corporate Governance. The Scheme's external auditors have audited the Annual Financial Statements in terms of International Standards on Auditing and their report is presented on page 2.

The Trustees meet regularly and monitor the performance of the administrators. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

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

The Annual Financial Statements were approved by the Board of Trustees on 25 March 2015 and are signed on its behalf by:

DD Barber
Chairman

MA du Bois
Vice-Chairman

FK Robertson
Principal Officer

ANGLO MEDICAL SCHEME

REPORT OF THE INDEPENDENT AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2014

To the members of Anglo Medical Scheme

Report on the Financial Statements

We have audited the financial statements of Anglo Medical Scheme set out on pages 3 to 30, which comprise the statement of financial position at 31 December 2014 and the statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Trustees' Responsibility for the Annual Financial Statements

The scheme's trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Anglo Medical Scheme at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act

As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, that have come to our attention during the course of our audit.

Deloitte and Touche
Registered Auditors
Per: J Van Staden
Partner
31 March 2015

ANGLO MEDICAL SCHEME

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 R'000	2013 R'000
ASSETS			
Non-current assets			
Held-to-maturity investments	2	90,408	92,487
Current assets		2,729,463	2,547,753
Held-for-trading investments	3	1,856,083	1,826,391
Trade and other receivables	4	4,272	6,761
Cash and cash equivalents	5	754,108	613,746
Investment of members' medical savings accounts	5.1	115,000	100,855
Total assets		2,819,871	2,640,240
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds (refer page 5)		2,683,034	2,511,157
Current liabilities		136,837	129,083
Personal medical savings accounts	6	113,947	100,313
Trade and other payables	7	8,679	4,631
Outstanding risk claims provision	8	14,211	24,139
Total funds and liabilities		2,819,871	2,640,240

ANGLO MEDICAL SCHEME

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 R'000	2013 R'000
Risk contribution income	9	369,855	358,454
Relevant healthcare expenditure			
Risk claims incurred		(410,555)	(382,797)
Claims incurred	10	(385,823)	(355,410)
Third party claim recoveries		(24,732)	(27,387)
Net (deficit)/recovery on risk transfer arrangements	11	(1,029)	932
Recovery on risk transfer arrangements		24,732	27,387
Risk transfer arrangement premiums paid		(25,761)	(26,455)
Gross healthcare result		**(41,729)**	**(23,411)**
Managed care: management services	12	(9,409)	(6,600)
Administration expenses	13	(31,251)	(28,312)
Net impairment losses on healthcare receivables	14	(748)	(236)
Net healthcare result		**(83,137)**	**(58,559)**
Other income		**277,077**	**168,290**
Investment income	15	208,649	80,425
Unrealised gains on held-for-trading investments	15	61,244	76,705
Interest received on members' savings accounts	15	6,461	5,387
Sundry income	16	723	5,773
Other expenditure		**(22,063)**	**(19,072)**
Interest paid on member's savings accounts	17	(6,461)	(5,387)
Asset management fees		(15,602)	(13,685)
Net surplus for the year		**171,877**	**90,659**
Other comprehensive income		-	-
Total comprehensive income for the year		**171,877**	**90,659**

ANGLO MEDICAL SCHEME

STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2014

	Accumulated funds R'000
Balance as at 1 January 2013	**2,420,498**
Total comprehensive income for the year ended 2013	90,659
Balance as at 31 December 2013	**2,511,157**
Total comprehensive income for the year ended 2014	171,877
Balance as at 31 December 2014	**2,683,034**

ANGLO MEDICAL SCHEME

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 R'000	2013 R'000
Cash flows from operating activities			
Cash flows from operations before working capital changes	18	(83,137)	(58,428)
Working capital changes			
- Decrease in trade and other receivables		2,489	2,576
- Increase/(decrease) in trade and other payables		4,048	(10,445)
- Increase in savings plan liability		13,634	4,056
- Decrease in outstanding risk claims provision		(9,928)	(8,493)
Cash used in operations		**(72,894)**	**(70,734)**
Interest paid on members' savings accounts	17	(6,461)	(5,387)
Net cash used in operating activities		**(79,355)**	**(76,121)**
Cash flows from investing activities		**219,717**	**37,472**
Purchase of investments		(372,509)	(620,107)
Proceeds from sale of investments		504,642	564,398
Transfer of savings liability		(7,683)	(6,290)
Interest on investments		66,422	68,129
Dividends received		43,724	39,385
Asset management fees		(15,602)	(13,685)
Long-term funding		723	5,642
Net increase/(decrease) in cash and cash equivalents		**140,362**	**(38,649)**
Cash and cash equivalents at the beginning of year		613,746	652,395
Cash and cash equivalents at the end of the year	5	**754,108**	**613,746**

1. PRINCIPAL ACCOUNTING POLICIES

These Annual Financial Statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") and the disclosure as required by the Medical Schemes Act 131 of 1998. The following are the principal accounting policies used by the Scheme, which are consistent with those of the previous year.

1.1 Basis of preparation

The Annual Financial Statements are prepared on the historical cost convention with the exception of investments classified as held-for-trading which are carried at fair value through profit or loss. Investments which are held-to-maturity are held at amortised cost.

1.2 Financial instruments

Financial assets and liabilities are recognised on the Scheme's statement of financial position when it becomes a party to the contractual provisions of the instrument.

Measurement
Financial instruments are initially measured at cost. Thereafter they are measured at fair value in the case of investments held-for-trading or, in the case of held-to-maturity investments, at amortised cost. The fair value of financial instruments is determined by reference to published indices on the Bond Exchange of South Africa and the Johannesburg Securities Exchange.

Impairment
Impairments of financial instruments are recognised through the statement of comprehensive income in the year in which the impairment arose. Where financial instruments are classified as held-for-trading, any impairment will form part of the fair-value adjustment recognised in the statement of comprehensive income.

Investments
All purchases and sales of investments are recognised on the trade date, which is the date that the Scheme commits to purchase or sell the asset. Cost of purchases includes transaction costs. Held-for-trading investments are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of held for trading assets are recognised in the statement of comprehensive income in the period in which they arise. Held-to-maturity investments are carried at amortised cost using the effective yield method.

Trade and other receivables
Trade and other receivables originated by the Scheme are stated at cost less an appropriate allowance for estimated irrecoverable amounts. This is recognised through the statement of comprehensive income when there is objective evidence that the asset is impaired.

Cash and cash equivalents
Cash and cash equivalents are measured at fair value and comprise current bank accounts, deposits held on call with banks, and other short-term liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value.

Financial liabilities
Financial liabilities are recognised at amortised cost, namely original debt less principal payments and amortisations.

Gains and losses on disposal of investments
On disposal of an investment, the difference between the net disposal proceeds and carrying amount is recognised in the statement of comprehensive income.

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.

1.3 **Impairment**

The carrying amount of the Scheme's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an allowance account is created to record impairment losses.

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

The recoverable amount of assets held at amortised cost is calculated as the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition of the financial asset. Receivables due within the same operating cycle are not discounted.

1.4 **Personal Medical Savings accounts: trust monies managed by the Scheme on behalf of its members**

The personal medical savings account is applicable to Managed Care Plan members only.

This account is managed by the Scheme on behalf of its members which represents savings contributions (the deposit component of the insurance contracts), and the accrued interest thereon, net of any savings claims paid on behalf of members in terms of the Scheme's registered rules. Members earn interest on positive savings balances at a rate equal to the corresponding investment accounts.

The deposit component of the insurance contracts has been unbundled, since the Scheme can measure the deposit component separately. The deposit component is recognised in accordance with IAS 39 and is initially measured at fair value and subsequently at amortised cost using the effective interest rate method. The insurance component is recognised in accordance with IFRS 4.

Unspent savings at year-end are carried forward to meet future discretionary healthcare expenses for which the members are responsible and are not covered by the benefits. In terms of the Medical Scheme's Act 131 of 1998, as amended, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act. This Regulation stipulates that when a member leaves the Scheme or transfers to an option within the Scheme which does not have a savings account, the money will be transferred to the member within four months of the date of change.

In accordance with the rules of the Scheme, the bad debt risk of savings account advances is underwritten by the Scheme.

1.5 **Provisions**

Provisions are recognised when the Scheme has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The outstanding risk claims provision is a provision for the estimated cost of healthcare benefits that have occurred before the statement of financial position date, but have not been reported to the Scheme and paid by that date. This provision is 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 outstanding risk claims provision is reduced by the estimated recoveries from members for co-payments, and savings accounts.

1.6 **Investment income**

Interest is recognised on a time proportion 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. Dividends are recognised when the right to receive payment is established. Income from insurance policies are recognised when entitlement to revenue is established.

1.7 **Contributions**

Contributions are received monthly in arrears. Risk contributions represent gross contributions after deduction of savings account contributions. The earned portion of risk contributions received is recognised as revenue on the accruals basis. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis.

1.8 **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 year.

Risk claims incurred comprise:

- claims submitted and accrued for services rendered during the year, net of recoveries from members for co-payments, and savings accounts
- claims for services rendered during the previous year not included in the outstanding risk claims provision for that year, net of recoveries from members for co-payments, and savings accounts
- movement in the provision for outstanding risk claims
- claims settled in terms of risk transfer arrangements

Claims incurred relating to risk transfer arrangements are calculated on the basis of actual utilisation applied to the service provider's usual tariffs.

1.9 **Road Accident Fund Recoveries**

Recoveries from the Road Accident Fund are recognised on a receipt basis and are netted off against claims expenditure.

1.10 **Risk transfer arrangements**

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis. Risk transfer premiums and benefits reimbursed are presented in the statement of comprehensive income and statement of financial position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Amounts recoverable under risk transfer arrangements are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Scheme may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Scheme will receive under the risk transfer arrangement.

1.11 **Medical insurance contracts and liability adequacy test**

Contracts under which the Scheme accepts significant medical insurance risk from its members, by agreeing to compensate them or other beneficiaries if a specified uncertain future event giving rise to medical claims adversely affects the member or other beneficiaries, are classified as medical insurance contracts.

The liability for these medical insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of any related assets. Where a shortfall is identified, an additional provision is made and the Scheme recognises the deficiency in income for the year.

1.12 **Long-term funding**

Additional contributions received from participating employers are intended to compensate for the above average cross-subsidisation of pensioners by active members. Amounts received from participating employers are recognised as other income on a cash receipts basis as there is no legal obligation to refund the amounts to the employer.

1.13 **Standards and interpretations not yet effective**

At the date of authorisation of the Annual Financial Statements, the following new accounting standards and interpretations are in issue, but not yet effective. None of these standards have been early adopted by the Scheme. The Trustees are in the process of evaluating the effects of these new standards and interpretations but they are not expected to have a significant impact on the Scheme's results and disclosures.

Standard	Subject	Effective date*
IFRS 9	Financial instruments	01-Jan-18
IFRS 13	Fair value Measurement (Amendment)	01-Jul-14
IFRS 14	Regulatory Deferral Accounts	01-Jan-16
IFRS 15	Revenue from contracts with customers	01-Jan-17
IAS 19	Employee Benefits (Amended)	01-Jul-14
IAS 24	Related party disclosure	01-Jul-14

* Annual periods commencing on or after

1.14 **Allocation of income and expenditure to benefit options**

The following items are directly allocated to each option:
- Contribution income
- Claims incurred
- Net income on risk transfer arrangements
- Managed care: management services
- Fees paid to the administrator
- Net impairment losses on healthcare receivables

For disclosure purposes, the remaining items are apportioned based on the number of members on each option, except for the Value Care Option which is allocated on an average of its proportion of contribution income and membership.
- Other administration expenses
- Investment income
- Sundry income
- Unrealised gains and losses on held-for-trading investments
- Asset management fees

Income and expenses relating to the member's personal medical savings accounts are allocated to the member's savings accounts within the Managed Care Plan.

1.15 **Comparatives**

Where necessary, comparative figures are adjusted to conform with International Financial Reporting Standards and the disclosure requirements of the Council for Medical Schemes. No reclassifications took place during the year.

2. HELD-TO-MATURITY INVESTMENTS	**2014 R'000**	**2013 R'000**
Amortised cost at the beginning of the year	92,487	94,566
Amortisation of premium (Note 15)	(2,079)	(2,079)
Amortised cost at the end of the year	90,408	92,487
Maturity date:	7 Dec 2023	7 Dec 2023
Coupon rate:	5.50%	5.50%
Effective rate of return as at year end:	1.65%	1.60%
Fair value at the end of the year	212296	206630

The investments included above represent investments in bonds.

3. HELD-FOR-TRADING INVESTMENTS

Fair value at the beginning of the year	1,826,391	1,710,561
Additions	372,509	620,107
Disposals	(400,483)	(547,545)
Movement on revaluation to market value	57,666	43,268
Fair value at the end of the year	1,856,083	1,826,391
The investments included above represent investments in:		
Listed equities	1,414,276	1,387,373
Bonds	361,352	378,294
Commodities	80,455	60,724
Fair value at the end of the year	1,856,083	1,826,391
Held-for-trading assets were managed by the following asset managers at year-end:		
Coronation Asset Management (Pty) Ltd	590,352	544,067
Allan Gray South Africa (Pty) Ltd	535,241	471,202
Investec Asset Management (Pty) Ltd	730,490	811,122
	1,856,083	1,826,391
Fair value at the end of the year includes cumulative unrealised gains	342,584	281,340

4. TRADE AND OTHER RECEIVABLES	**2014 R'000**	**2013 R'000**
Insurance receivables		
Net contributions outstanding	2,665	4,290
Amounts owing by former members*	144	24
Amounts owing by current members	150	44
Amounts owing by service providers	328	121
Savings plan account advances (Note 6)	-	1,868
	3,287	6,347
Less: Allowance for impairment of trade and other receivables	(541)	(301)
Other receivables		
- Accrued interest	786	683
- Other	740	32
	4,272	6,761

* - Amounts owing by former members relates to members that have left the Scheme and includes amounts owing for outstanding contributions, overdrawn savings and claims debts.

4. TRADE AND OTHER RECEIVABLES (continued)

The movement in the allowance for impairment during the year was as follows:

2014	Contribution debt	Member debt	Service provider debt	Savings advances	Total
	R'000	R'000	R'000	R'000	R'000
Balance as at 1 January	(10)	(68)	(121)	(102)	**(301)**
Amount recognised in the statement of comprehensive income for the period	(196)	(52)	(93)	102	**(239)**
Additional provisions made in the period	(196)	(52)	(93)	-	**(341)**
Unused amounts reversed during the period	-	-	-	102	**102**
Amounts utilised during the period	-	-	-	-	**-**
Balance as at 31 December	(206)	(120)	(214)	-	**(540)**

2013

Balance as at 1 January	(13)	(87)	(77)	(103)	**(280)**
Amount recognised in the statement of comprehensive income for the period	3	19	(44)	1	**(21)**
Additional provisions made in the period	3	19	(44)	1	**(21)**
Unused amounts reversed during the period	-	-	-	-	-
Amounts utilised during the period	-	-	-	-	-
Balance as at 31 December	(10)	(68)	(121)	(102)	**(301)**

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

5. CASH AND CASH EQUIVALENTS

	2014 R'000	2013 R'000
Current accounts	229,059	112,168
Call accounts	22,316	17,760
Money market instruments	502,733	483,818
	754,108	613,746

The weighted average effective interest rate on cash resources was 5.9% per annum (2013: 5.5%). Call accounts have an average maturity of 1 day (2013:1 day) as these are used as a clearing facility.

5.1 INVESTMENT OF MEMBERS' MEDICAL SAVINGS ACCOUNTS

	2014 R'000	2013 R'000
Current account	2,336	-
Money market instruments	112,664	100,855
	115,000	100,855

The weighted average effective interest rate was 5.9% per annum (2013: 5.8%)

6. PERSONAL MEDICAL SAVINGS ACCOUNT TRUST MONIES MANAGED BY THE SCHEME ON BEHALF OF ITS MEMBERS

	2014 R'000	2013 R'000
Balance on savings account liability at beginning of the year	100,313	96,257
Less: Prior year advances on savings accounts	(1,868)	(1,943)
Net balance on savings liability at the beginning of the year	98,445	94,314
Savings account contributions received (Note 9)	71,347	65,200
- for the current year	69,479	63,257
- allocated to settle prior year advances	1,868	1,943
Interest paid on savings account balances (Note 17)	6,461	5,387
Transfers from/(to) other schemes	297	(3,130)
Less:		
Repayments on death or resignation	(7,126)	(4,961)
Claims paid on behalf of members (Note 10)	(55,477)	(58,365)
Net balance on savings liability at the end of the year	113,947	98,445
Add: Advances on savings accounts included in trade and other receivables	-	1,868
Amounts due to members on savings accounts at the end of the year	113,947	100,313

In accordance with the rules of the Scheme, the savings account advances are underwritten by the Scheme.

The savings account liability contains a demand feature in terms of regulation 10 of the Medical Schemes Act 131 of 1998 that any credit on a member's personal medical savings account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option and then enrols in another benefit option or medical scheme without a personal medical savings account or does not enrol in another medical scheme.

Advances on personal medical savings accounts are funded by the Scheme and are included in trade and other receivables. The Scheme does not charge interest on advances on personal medical savings accounts.

At year-end the carrying amount of the members' personal medical savings accounts were deemed to be equal to its fair value which is of a short-term nature.

The personal medical savings accounts were invested on behalf of members in the following assets at year-end:

	2014 R'000	2013 R'000
Current account	2,336	-
Money market instruments	112,664	100,855
	115,000	100,855

In accordance with Circular 38 of 2011, the savings investment gets aligned with the savings account liability on a regular basis. Differences that exist at month-ends and at year-end are of a timing nature.

7. TRADE AND OTHER PAYABLES

	2014 R'000	2013 R'000
Credit balances in trade and other receivables	2,540	1,051
Sundry accounts payable	4,313	3,146
Outstanding cheques	1,826	434
	8,679	4,631

8. OUTSTANDING RISK CLAIMS PROVISION Not covered by risk transfer arrangements	2014 R'000	2013 R'000
Provision for outstanding risk claims	14,211	24,139
Analysis of movements in outstanding risk claims		
Balance at beginning of year	24,139	32,632
Payments in respect of prior year	(23,723)	(30,860)
Over provision in prior year (Note 10)	416	1,772
Raised for the current year	13,795	22,367
Balance at end of year	14,211	24,139
Net exposure in respect of outstanding risk claims		
Gross outstanding claims	15,515	26,353
Less: Estimated recoveries from savings accounts	(1,304)	(2,214)
Total outstanding risk claims provision at year end	14,211	24,139

Basis for determination of the outstanding risk claims provision

The outstanding risk claims provision is a provision for the estimated cost of healthcare benefits that have occurred before the statement of financial position date but have not been reported to the Scheme by that date. The provision is determined as accurately as possible based on a number of assumptions which are outlined below.

Process used to determine the assumptions

The process used to determine the assumptions is intended to result in a realistic estimate of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies of historical claiming patterns to establish a "claims run-off" period per discipline. More emphasis is placed on recent information, particularly where current claims do not appear to follow prior year trends. Where, in prior years, there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

To the extent that historical claims development is used to determine the claims "run-off period", it is assumed that this pattern will occur again in future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons, inter alia, include:

- changes in processes that affect the development or recording of claims paid and incurred (such as changes in claims submission mechanisms);
- changes in membership profile of the Scheme;
- random fluctuations and;
- legislative changes (e.g. expansion of the definition of a Prescribed Minimum Benefit ("PMB")/Chronic Disease Listing ("CDL") condition)

Notified claims are assessed with due regard to the claim circumstances, medical discipline, anticipated development, expected seasonal fluctuations, and information available from managed care: management services (specifically hospital pre-authorisation). The provisions are best estimates based on the most recent information available and may be affected by the differing claims run-off periods between the various medical disciplines. Estimates calculated on the "run-off" period of disciplines with lower utilisations may be subject to a higher degree of volatility due to the relatively small claims history. This is largely negated by the medical disciplines where the majority of the risk claims are incurred and which therefore constitute the bulk of the provision.

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding risk claims provision are the claims "run-off periods" for the most recent benefit years (split by discipline), in particular the in-hospital category. The run-off factor relates to the emergence and settlement patterns of risk claims and is expressed as the percentage of risk claims settled in respect of total claims expected to emerge in a specific service month. This factor is then used to project the remainder of the outstanding risk claims relating to the specified service month. A "seasonality factor" is further incorporated into the calculation, also based on past claims experience. Consistent assumptions have been used for assessing the outstanding risk claims provisions for the 2013 and 2014 benefit years.

8. OUTSTANDING RISK CLAIMS PROVISION (continued)

Changes in assumptions

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 estimation process. The Trustees believe that the liability for risk claims reported in the statement of financial position is adequate. However, they recognise that the process of estimation is based upon certain variables and assumptions which could differ when claims arise. Consequently, if for example the estimates of the unreceived portion of risk claims costs for the year was 5% inaccurate, the impact on the net surplus of the Scheme would be as follows:

Impact on reported profits due to changes in key variables

	Change in variables	Change in liability 2014 R'000	Change in liability 2013 R'000
- Hospitalisation	5%	(29)	(49)
- Chronic medication	5%	(2)	(4)
- Day-to-day benefits	5%	(1)	(1)

This analysis has been prepared for a change in run-off factors with other assumptions remaining constant. The change in liability also represents the absolute change in net surplus for the period. It should be noted that an increase in liabilities will result in a decrease in the surplus and vice versa.

Day-to-day claims have been calculated for the Standard Care Plan and the Managed Care Plan's portion that relates to prescribed minimum benefits. Managed Care Plan claims paid from savings are not included. Inflation is not a factor as retrospective inflation is known.

The sensitivity of the estimation process is reduced by the value of the risk claims paid subsequent to the year end related to the period ended 31 December 2014, as detailed in the table below:

	2014 R'000	2013 R'000
Outstanding risk claim provision	14,211	24,139
Portion of outstanding risk claims provision paid to 28 February 2015 (2013: 28 February 2014)	(11,827)	(21,514)
Residual estimate of risk claims incurred but not paid	2,384	2,625

9. RISK CONTRIBUTION INCOME

	2014 R'000	2013 R'000
Gross contributions	441,202	423,654
Less: Savings contributions (Note 6)	(71,347)	(65,200)
	369,855	358,454

10. RISK CLAIMS INCURRED

Claims incurred excluding claims in respect of related risk transfer arrangements		
Current year claims	427,506	391,408
Movement in outstanding claims provision	13,794	22,367
- Over provision in prior year (Note 8)	(416)	(1,772)
- Current year adjustment	14,210	24,139
Less: Claims paid from savings accounts (Note 6)	(55,477)	(58,365)
	385,823	355,410
Claims incurred in respect of related risk transfer arrangements		
Netcare 911		
Current year claims	1,974	1,794
Prime Cure		
Current year claims	4,706	2,219
Centre for Diabetes and Endocrinology		
Current year claims	18,052	23,374
	24,732	27,387
Claims incurred per the statement of comprehensive income	410,555	382,797

11. NET RECOVERY ON RISK TRANSFER ARRANGEMENTS

Capitation fees paid to third party providers	(25,761)	(26,455)
Total recoveries on risk transfer arrangements	24,732	27,387
	(1,029)	932
Made up as follows:		
Netcare 911		
Capitation fees paid	(1,770)	(1,708)
Recovery from service provider	1,974	1,794
	204	86
Prime Cure		
Capitation fees paid	(3,307)	(2,585)
Recovery from service provider	4,706	2,219
	1,399	(366)

11. NET RECOVERY ON RISK TRANSFER ARRANGEMENTS (Continued)

Centre for Diabetes and Endocrinology	2014 R'000	2013 R'000
Capitation fees paid	(20,684)	(22,162)
Recovery from service provider	18,052	23,374
	(2,632)	1,212

Netcare 911 - Ambulance service provider. Contract provides for the capitation of all costs associated with the ambulance services (air and land) provided to members of the Scheme.

Prime Cure - Contract provides for the provision of an agreed structure of day to day benefits, including the treatment of chronic conditions, for members registered on the Value Care Plan, provided that the services are received from a contracted network service provider. The contract excludes the provision of treatment for hospital admissions above R150,000.

Centre for Diabetes and Endocrinology - Diabetic management programme service provider. Contract provides for the capitation of all costs associated with the management and treatment of members registered with Diabetes Mellitus 1 and 2, and for all the costs of hospital admissions for members registered on the programme where the diagnosis is directly related to the condition.

The Scheme has entered into selective risk transfer arrangements with third party providers in order to reduce their exposure to claims risk and receive specialist case management. These arrangements form a relatively small component of the total claims cost of the Scheme.

Recoveries from service providers are calculated based on the services provided to members, multiplied by the Scheme's re-imbursement rate.

12. MANAGED CARE: MANAGEMENT SERVICES

	2014 R'000	2013 R'000
Chronic medication management services	998	-
Disease management services	1,745	301
Hospital management services	4,195	-
Pharmaceutical benefit management services	1,213	-
Provider network management services	1,258	-
Global managed care fee	-	6,299
	9,409	6,600

13. ADMINISTRATION EXPENSES

	2014 R'000	2013 R'000
Administrator's fees	20,764	18,400
Staff costs	2,640	2,391
Principal Officer remuneration and related expenses	1,938	1,695
Consulting fees	1,806	1,766
Trustees' remuneration and consideration expenses (Note 29)	972	895
Electronic checking fees	828	-
Publications	520	701
External auditor fees	536	282
Audit services	477	282
Non-audit services	59	-
General expenses	451	492
Registrars fees, including levies	265	303
Administrator tender process	204	1,056
Head office rental and management fees	179	146
Travel and entertainment	148	186
	31,251	28,312

14. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES

Insurance receivables	**2014 R'000**	**2013 R'000**
Contributions that are not collectable	(196)	3
Movement in provision	(196)	3
Written off	-	-
Members' portions	(76)	(93)
Movement in provision	(52)	19
Written off	(24)	(112)
Service providers' portions	(259)	(148)
Movement in provision	(93)	(44)
Written off	(167)	(104)
Advances from savings plan accounts	(217)	1
Movement in provision	102	1
Written off	(319)	-
Less: Previous impairment losses recovered	-	1
	(748)	(236)

15. INVESTMENT INCOME

Income from held-for-trading investments		
- interest income	53,345	48,758
- dividends received	43,724	39,385
- net gains/(losses) on fair value adjustments (Note 15.1)	100,582	(16,585)
Held-to-maturity interest income	11,244	10,044
Current account interest income	1,832	902
Amortisation of premium on held-to-maturity investment (Note 2)	(2,079)	(2,079)
Investment income	208,649	80,425
Unrealised gains on held-for-trading investments (Note 15.1)	61,244	76,705
Interest received on members' savings accounts	6,461	5,387
Net investment income	276,354	162,517

15.1 Net gains on fair value adjustments

Realised gains/(losses) on disposal of investments		
- Equity securities	100,582	(16,585)
Unrealised gains on fair value adjustments		
- Equity securities	61,244	76,705
	161,826	60,120

16. SUNDRY INCOME

Unallocated amounts written back as prescribed	-	131
Long-term funding	723	5,642
	723	5,773

17. INTEREST PAID ON MEMBERS' SAVINGS ACCOUNTS

	2014 R'000	2013 R'000
Interest paid on savings accounts (Note 6)	(6,461)	(5,387)

18. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES

Reconciliation of net surplus for the year to operating deficit before working capital changes:

	2014 R'000	2013 R'000
Net surplus for the year	171,877	90,659
Adjustments for:		
- Investment income (Note 15)	(208,649)	(80,425)
- Unrealised gains on held-for-trading investments (Note 15)	(61,244)	(76,705)
- Asset management fees	15,602	13,685
- Long-term funding (Note 16)	(723)	(5,642)
	(83,137)	(58,428)

19. FIDELITY COVER

The Scheme participates in fidelity guarantee and Trustees professional indemnity insurance arranged by Anglo American South Africa Ltd amounting to USD 35 million.

20. RELATED PARTY TRANSACTIONS

As the Scheme's administrator, Discovery Health (Pty) Ltd (2013: Momentum Medical Scheme Administrators (Pty) Ltd) participates in and influences the financial and operating policy decisions of the Scheme. Discovery Health (Pty) Ltd and Momentum Medical Scheme Administrators (Pty) Ltd (2013: Momentum Medical Scheme Administrators (Pty) Ltd) received from the Scheme a market-related administration fee for administration and managed care services provided. In the current year these amounted to R24,410,404 and R4,443,380 respectively (2013: R24,698,518). Amount owing to the administrator at year end was R3,158,342 (2013: R1,994,545).

Anglo Operations (Pty) Ltd receives from the Scheme market related reimbursement for head office rental and management services provided of R179,496 (2013: R145,790). The amount owing to Anglo Operations (Pty) Ltd at year end was R101,047 (2013: R18,930).

Anglo Medical Scheme is a restricted scheme. The composition of the Board of Trustees includes employer-appointed trustees. The participating employers' payroll system is primarily utilised in collecting both the members' and the employers' proportionate share of the contributions. In addition to this, included in the pooled investment portfolios disclosed in Note 3, are shares and bonds held in participating employer groups to the value of R50,372,051 (2013: R114,858,698)

Contributions of R1,475,003 (2013: R763,264) were received and claims of R813,256 (2013: R756,251) were paid in respect of those Trustees who are also members of the Scheme. Such claims are paid in accordance with the Rules of the Scheme. Other payments made to the Trustees are reflected under Note 29. The Trustees had savings account balances of R260,738 (2013: R161,067) at the end of the year.

Key management personnel received remuneration of R4,577,604 (2013: R4,085,812) for holding office, disbursements and the attendance of meetings.

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

In the process of applying the Scheme's accounting policies, the Board of Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions of estimates are recognised in the period in which the estimate is revised if the revision affects only that period.

The following judgements have the most significant effect on the amounts recognised in the Annual Financial Statements:

Valuation of Financial Instruments

The value of financial instruments fluctuates on a daily basis and the actual amount realised may differ materially from the fair value at the statement of financial position date.

Outstanding risk claims provision

Details of assumptions and judgements used in determining the outstanding risk claims provision are outlined under note 8.

There are no key areas of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

22. INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Scheme assumes the risk of financial loss from members and their dependants that are directly subject to the risk. These risks relate to the cost of providing health care services to the Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities.

The Board of Trustees maintains a schedule of identified risks to the Scheme and have evaluated both the likelihood and impact of these risks. This list is reviewed on an on-going basis and action is taken as and when is necessary.

The Scheme further manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, contracting with providers, service provider profiling, centralised management of risk transfer arrangements as well as the close 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 and sensitivity analyses. The principal risk is that the frequency and severity of risk claims are greater than expected. Insurance events are by their nature, random and the actual number and size of events during any one year may vary from those estimated with established statistical techniques.

22. INSURANCE RISK MANAGEMENT (continued)

The following table summarises the concentration of insurance risk per beneficiary, with reference to the carrying amount, *net of adjustments*, of the insurance claims incurred by age group and in relation to the type of risk covered/benefits provided.

2014	Hospital	Chronic	Day-to-day	Total
Age grouping (in years)	**R**	**R**	**R**	**R**
< 26	3,137	242	2,623	6,002
26 - 35	5,204	545	4,354	10,103
36 - 50	7,266	1,381	6,434	15,081
51 - 65	17,318	3,103	9,758	30,179
> 65	28,460	3,899	12,794	45,153

2013	Hospital	Chronic	Day-to-day	Total
Age grouping (in years)	**R**	**R**	**R**	**R**
< 26	3,012	234	2,400	5,647
26 - 35	6,964	312	3,994	11,270
36 - 50	9,169	971	4,819	14,959
51 - 65	15,501	2,785	6,260	24,547
> 65	28,585	3,936	7,298	39,819

22. INSURANCE RISK MANAGEMENT (continued)

In-hospital benefits cover all costs incurred by members, while they are in hospital to receive pre-authorised treatment for certain medical conditions.

Chronic benefits cover the cost of certain prescribed medicines consumed by members for chronic conditions/diseases, such as high blood pressure, cholesterol and asthma.

Day-to-day benefits cover the cost of out of hospital medical attention, such as visits to general practitioners, dentists and specialists as well as prescribed non-chronic medicines other than those funded from members' savings accounts.

The Scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. The strategy is set out in the annual business plan, which specifies the benefits to be provided by each option.

All the contracts are annual in nature and are valid for a calendar year. The Scheme has the right to change the terms and conditions of the contract at renewal, at the start of each year. Management information including contribution income and claims ratios by option, target market and demographic split, is reviewed monthly. There is also a review program that regularly reviews contractual premium and benefit data to ensure adherence to the Scheme's objectives.

Risk transfer arrangements

The Scheme also has capitation agreements with various suppliers of services. The capitation agreements are, in-substance, the same as a non-proportional reinsurance treaty which aims to reduce the net exposure of the Scheme to insurance risk.

Risk in terms of risk transfer arrangements

The Scheme cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks and defined blocks of business, on a co-insurance, yearly renewable term. These risk transfer arrangements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Scheme's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. According to the terms of the capitation agreements, the suppliers provide certain minimum benefits to Scheme members on various benefit options, as and when required by the members. The Scheme does, however, remain liable to its members with respect to ceded insurance if any capitation provider fails to meet the obligations it assumes. When selecting a capitation supplier of service the Scheme considers their relative security from public rating information and from internal investigations.

Claims development

Claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within one year.

23. FINANCIAL RISK MANAGEMENT

The Scheme's activities expose it to a variety of financial risks, including the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Scheme operates in South Africa and therefore its cash flows are denominated in South African Rand (ZAR). In terms of the diversified investment strategy operated by the investment committee and the restrictions imposed by the Medical Schemes Act, the Scheme has a relatively small number of investments off-shore. The Scheme is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US Dollar (USD). 3% of total investments and cash were invested in foreign investments.

The following table illustrates the concentration of currency risk to which the Scheme is currently exposed.

	ZAR R' 000	USD R' 000	TOTAL R' 000
Held-for-trading investments	1,779,728	76,355	1,856,083
Held-to-maturity investments	90,408	-	90,408
Cash and cash equivalents	754,108	-	754,108
Member's savings account	115,000	-	115,000
As at 31 December 2014	**2,739,244**	**76,355**	**2,815,599**
Held-for-trading investments	1,758,807	67,584	1,826,391
Held-to-maturity investments	92,487	-	92,487
Cash and cash equivalents	613,746	-	613,746
Member's savings account	100,855	-	100,855
As at 31 December 2013	**2,565,895**	**67,584**	**2,633,479**

There has been significant movement in the ZAR against major currencies during the year. Holding all other variables constant, and adjusting currencies with 10% for the year, the net surplus of the Scheme would be impacted as follows:

	% ZAR weakening	**2014 R'000**	**2013 R'000**
USD	10%	7,636	6,758

Equity Risk

Equity risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market place.

Equities are reflected at market values, which are susceptible to fluctuations. The Scheme manages its equity risk by employing the following procedure:

- Mandating a specialist fund manager to invest in equities, where there is an active market and where access is gained to a broad spectrum of financial information relating to the companies invested in;
- diversifying across many securities to reduce risk. Diversification is guided by the Medical Schemes Act;
- considering the risk-reward profile of holding equities and bearing the risk in order to obtain higher expected returns on assets.

If the South African equities market were to move by 10%, assuming all other variables remain constant, and the recent past is predictive of the future, the below table would illustrate the impact to the return on investment and the resulting impact on the net surplus of the Scheme:

	% SA market weakening	**2014 R'000**	**2013 R'000**
Held-for-trading investments: Equities	10%	(141,428)	(138,737)

23. FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk is the exposure that the Scheme has to changes in interest rates. As the Scheme holds no debt with the exception of the members' saving liability on which interest is paid, the main exposure to the Scheme would be a reduction in interest income on investments if interest rates were to decrease. In order to reduce the impact of any potential interest rate changes, the Scheme holds a diversified portfolio of investments both long and short term.

The following table summarises the effective interest rate by major currencies for interest bearing financial instruments:

	ZAR (%)	USD (%)
As at 31 December 2014		
Held-for-trading investments	3.3%	
Held-to-maturity investments	1.7%	
Cash and cash equivalents	5.9%	0.3%
As at 31 December 2013		
Held-for-trading investments	3.1%	
Held-to-maturity investments	1.6%	
Cash and cash equivalents	5.5%	0.3%

If interest rates moved by 1%, assuming all other variables remain constant, and the recent past is predictive of the future, the table below illustrates the impact to the return on investment and the resulting impact on the net surplus of the Scheme:

	% interest rate	**2014 R'000**	**2013 R'000**
Bonds	1%	(11,278)	(11,537)
Cash and cash equivalents		8,779	7,145
		(2,499)	(4,392)

Credit Risk

Credit risk is the risk of loss arising from the inability of a third party to service their debt obligations.

The Scheme's principal financial assets are cash and cash equivalents, trade and other receivables and investments. The Scheme's credit risk is attributable primarily to its trade and other receivables. The amounts presented in the statement of financial position are net of impairment loss on receivables. An allowance for impairment is made where there is an identified event which, based on previous experience is evidence of a reduction in the recoverability of the cash flows. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution. The Scheme has no significant concentration of credit risk, with exposure spread over a large number of counterparties and members.

	2014 R'000	**2013 R'000**
Fully performing	4,272	6,761
Past due and impaired	541	301
	4,813	7,062
Provision for impairment of trade and other receivables	(541)	(301)
Trade and other receivables (Note 4)	4,272	6,761

In order to further mitigate this risk, there is a formal policy in place for the treatment of any debt that becomes past due. If this fails, long outstanding debt is handed over to a debt collection agency for recovery.

23. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Scheme has the ability to fund its day-to-day operations. Liquidity is further managed by monitoring forecast cash flows on an annual as well as monthly basis to ensure that the Scheme has adequate cash resources to meet its short-term commitments. Trustees, by way of the Investment Committee, ensure that elements of the investment portfolio are readily liquid should the need arise.

The table below analyses the assets and liabilities of the Scheme into relevant maturity groupings based on the remaining period at statement of financial position date to the contractual maturity date:

As at 31 December 2014	Up to 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	Total R'000
Current assets	2,729,463	-	-	2,729,463
Held-for-trading investments	1,856,083	-	-	1,856,083
Trade and other receivables	4,272	-	-	4,272
Cash and cash equivalents	869,108	-	-	869,108
Current liabilities	27,979	16,598	92,260	136,838
Members' savings account liability	7,931	14,893	91,124	113,948
Trade and other payables	8,679	-	-	8,679
Outstanding risk claims provision	11,369	1,705	1,137	14,211
Net liquidity	2,701,484	(16,598)	(92,260)	2,592,625

As at 31 December 2013	Up to 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	Total R'000
Current assets	2,446,898	-	-	2,446,898
Held-for-trading investments	1,826,391	-	-	1,826,391
Trade and other receivables	6,761	-	-	6,761
Cash and cash equivalents	613,746	-	-	613,746
Current liabilities	30,924	16,008	82,151	129,083
Members' savings account liability	6,982	13,111	80,220	100,313
Trade and other payables	4,631	-	-	4,631
Outstanding risk claims provision	19,311	2,897	1,931	24,139
Net liquidity	2,415,974	(16,008)	(82,151)	2,317,815

Fair value estimation and hierarchy

The fair value of publicly traded financial instruments held as held-for-trading, is based on quoted market prices at the statement of financial position date. Instruments classified as held-to-maturity are reflected at amortised cost in the statement of financial position. As such, all financial assets are considered level 1 assets.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

23. FINANCIAL RISK MANAGEMENT (continued)

Capital adequacy risk

This represents the risk that there are insufficient reserves to provide for adverse variations on future investment and claims.

The Scheme has R2,683 million (2013: R2,511 million) of members' funds at 31 December 2014, which translated to an accumulated funds ratio per the Council for Medical Schemes method of calculation of 531% (2013: 526%). The level of accumulated funds would have covered 6.5 years (2013: 6.6 years) of claims costs incurred for the year. The Trustees believe that this cover exceeds the Scheme's present needs.

24. COMMITMENTS

There were no capital commitments as at 31 December 2014 (2013: Nil).

25. CONTINGENT LIABILITIES

No contingent liabilities existed at 31 December 2014 (2013: Nil).

26. GUARANTEES

No guarantees either from or to a third party existed at 31 December 2014 (2013: Nil).

27. SUBSEQUENT EVENTS

There have not been any events after the reporting date that affects the Annual Financial Statements.

28. COMPLIANCE WITH THE MEDICAL SCHEMES ACT

The Trustees are of the opinion that there are no material deviations from the Act.

28.1 Outstanding contributions

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Scheme. Per the Scheme rules, contributions are required to be received at least three days after their due date. Instances were noted where contributions were received late.

Causes for failure

Balances after three days are due to reconciling discrepancies between the participating employers and the Scheme. The risk of default on payments due to the Scheme is small because of the restricted nature of the Scheme and employer base.

Corrective action

Suspension policies are in place and applied where contributions are outstanding beyond the participating employers' available credit terms.

28. COMPLIANCE WITH THE MEDICAL SCHEMES ACT (continued)

28.2 Investment in participating employer

Nature and impact

Section 35(8) (a) of the Medical Schemes Act 131 of 1998 states that a medical scheme shall not invest any of its assets in a participating employer. During the year the Scheme had direct and indirect exposure to investments in participating employer groups.

Causes for failure

The Scheme invests in pooled investment vehicles which allow investment managers discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark. Given this approach, the Scheme was exposed to participating employer shares.

Corrective action

The Scheme has applied to the Council for Medical Schemes and received an exemption from this section of the Medical Schemes Act.

28.3 Investment in administrator

Nature and impact

Section 35(8) (c) of the Medical Schemes Act 131 of 1998 states that a medical scheme shall not invest any of its assets in any administrator. During the year the Scheme had direct and indirect exposure to such investments.

Causes for failure

The Scheme invests in pooled investment vehicles which allow investment managers discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark.

Corrective action

The Scheme has applied to the Council for Medical Schemes and received an exemption from this section of the Medical Schemes Act.

28.4 Investment limitations

Nature and impact

Regulation 30(3) states that a medical scheme shall not invest more than 40% of its assets in local equities. The Scheme exceeded this limit throughout the year.

Causes for failure

The Act makes provision for medical schemes to exceed the limit of 40% on local equities under certain circumstances. The Board of Trustees decided to exceed the limit after complying with all the required circumstances. The purpose is to maximise investment income on a long-term basis.

Corrective action

The Scheme submitted a certified statement prepared by its consultants to the Council for Medical Schemes to state that an alternative percentage of 75% should apply to the excess assets as described in Regulation 30(3).

28. COMPLIANCE WITH THE MEDICAL SCHEMES ACT (continued)

28.5 Payment of claims within 30 days

Nature and impact

In terms of section 59(2) of the Act a member or provider claim should be settled within 30 days of submission. During sample testing exceptions were noted where settlements took more than 30 days.

Causes for failure

Delays occur when accounts are referred for clinical audit or other investigations. These are the exceptions; all straightforward claims are paid within the prescribed time.

Corrective action

Retrospective evaluation is an inherent part of medical scheme business resulting in the payment of claims potentially exceeding of the 30 day stipulation. Every effort is taken to ensure compliance.

28.6 Sustainability of benefit options

Nature and impact

In terms of section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance. At 31 December 2014 all three options incurred deficits as set out in note 30 to the annual financial statements.

Causes for failure

The Board of Trustees annually maintain market related benefit offerings and competitive contribution increases. Due to the Scheme demographics, this gives rise to the non-compliance.

Corrective action

Anglo American plc sold numerous subsidiaries over a period of time resulting in the loss of active employees and retention of pensioners. To compensate the Scheme for the resultant high pensioner ratio and expected deterioration of the claiming profile, the Participating Employers pre-funded the additional liability to the extent that the Scheme could maintain market related benefits and contribution increases into the future. The Scheme meets its responsibility to the members by subsidising the expected claims excess over contributions from the reserves. The current investment returns are sufficient to meet the shortfall.

Anglo American plc sold numerous subsidiaries over a period of time resulting in the loss of active employees and retention of pensioners. To compensate the Scheme for the resultant high pensioner ratio and expected The Council

29. TRUSTEES' REMUNERATION AND CONSIDERATION EXPENSES

Trustees	Fees for Attendance at Meetings		Disbursements		Accommodation, travelling and meals		Conference fees		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Barber DD	71	67	9	5	-	-	-	-	80	72
Du Bois MA*	151	160	-	-	18	16	-	-	169	176
Elliott, CC*	32	53	-	-	-	3	-	-	32	56
Farrell MR*	93	105	-	-	-	8	-	-	93	113
Fox FH*	94	88	-	-	-	8	-	-	94	96
Ghavalas D*	104	68	-	-	7	8	8	-	119	76
Graham MD	93	88	9	5	-	11	-	-	102	104
Howell GA*	43	36	-	-	-	9	-	6	43	51
Laubscher PA*	45	38	-	-	-	-	-	-	45	38
Liston J*	49	-	-	-	-	-	-	-	49	-
McCallum D*	24	-	-	-	-	-	-	-	24	-
Mayet S*	4	8	-	-	-	-	-	-	4	8
McKie-Thomson C	36	17	6	-	-	-	-	-	42	17
Preston, GJ	36	43	9	-	17	18	-	-	62	61
Troskie J*	14	23	-	-	-	4	-	-	14	27
TOTAL	**889**	**794**	**33**	**10**	**42**	**85**	**8**	**6**	**972**	**895**

* Trustees fees ceded to employers

30. NET HEALTHCARE RESULT PER BENEFIT OPTION

Managed Care Plan: This option comprises three elements:

- comprehensive cover for hospitalisation and most non-discretionary healthcare services;
- a savings portion that works like a bank account; and
- professional services rendered in hospital and is paid up to 200% of the Scheme's Reimbursement Rate (SRR).

Most benefits are payable at the Scheme's Reimbursement Rate.

Standard Care Plan: A traditional medical plan with defined benefit and annual limits. There is a hospital benefit limit and all related expenses incurred while in hospital are allocated to this limit. Most benefits are payable at the Scheme's Reimbursement Rate.

Value Care Plan: This is a low-cost option, which provides primary healthcare through a national network of Prime Cure facilities. In return for receiving quality basic healthcare at a low cost, members on this plan may only obtain healthcare services from a Prime Cure facility or network provider. Most benefits are payable at the rate as negotiated by Prime Cure and their network providers.

2014	MANAGED CARE PLAN R'000	STANDARD CARE PLAN R'000	VALUE CARE PLAN R'000	TOTAL R'000
Net contribution income	246,772	119,409	3,674	369,855
Relevant healthcare expenditure				
Net claims incurred	(282,541)	(123,155)	(4,859)	(410,555)
Net (expense)/recovery on risk transfer arrangements	(1,636)	(792)	1,399	(1,029)
Recovery on risk transfer arrangements	13,245	6,781	4,706	24,732
Risk transfer arrangement premiums paid	(14,881)	(7,573)	(3,307)	(25,761)
Gross healthcare result	(37,405)	(4,538)	214	(41,729)
Managed care: management services	(5,610)	(3,799)	-	(9,409)
Administration expenses	(18,987)	(11,840)	(424)	(31,251)
Net impairment losses on healthcare receivables	(438)	(294)	(16)	(748)
Net healthcare result	(62,440)	(20,471)	(226)	(83,137)
Other income	158,528	108,087	10,462	277,077
Other expenditure	(12,623)	(8,607)	(833)	(22,063)
Net surplus for the year	83,465	79,009	9,403	171,877
Number of members	5,258	3,585	347	9,190

2013	MANAGED CARE PLAN R'000	STANDARD CARE PLAN R'000	VALUE CARE PLAN R'000	TOTAL R'000
Net contribution income	244,175	111,373	2,906	358,454
Relevant healthcare expenditure				
Net claims incurred	(269,984)	(110,592)	(2,221)	(382,797)
Net recovery/(expense) on risk transfer arrangements	807	491	(366)	932
Recovery on risk transfer arrangements	17,022	8,146	2,219	27,387
Risk transfer arrangement premiums paid	(16,215)	(7,655)	(2,585)	(26,455)
Gross healthcare result	(25,002)	1,272	319	(23,411)
Managed care: management services	(3,908)	(2,692)	-	(6,600)
Administration expenses	(18,439)	(9,468)	(405)	(28,312)
Net impairment losses on healthcare receivables	(133)	(103)	-	(236)
Net healthcare result	(47,482)	(10,991)	(86)	(58,559)
Other income	99,398	63,748	5,144	168,290
Other expenditure	(11,265)	(7,224)	(583)	(19,072)
Net surplus for the year	40,651	45,533	4,475	90,659
Number of members	5,526	3,544	286	9,356

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 Anglo Medical Scheme is a not for profit restricted medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), Registration number 1012. The Scheme was established by Anglo American South Africa and its purpose is to provide medical cover to the employees, retirees and continuation members of the participating employer groups and their affiliated companies. The principal participating employer groups are Anglo American, Mondi, Mpact, and Ernest Oppenheimer and Son.

In 2014 the Scheme provided benefits to 9 190 members, 19 547 beneficiaries, 51.38% are female. Members are located primarily in Gauteng (44%), KwaZulu-Natal (33%) and Western Cape (11%). The balance of membership is spread across South Africa.

1.2 Benefit options within the Anglo Medical Scheme

The Anglo Medical Scheme provides its members with a choice of three Plans; as at 31 December 2014, Managed Care Plan serving 10 216 beneficiaries, average age 51.2 years, Standard Care Plan, 8 551 beneficiaries, average age 32.5 years and Value Care Plan 780 beneficiaries, average age 24.6 years old.

- The Managed Care Plan (MCP).
  This plan offers unlimited cover for hospitalisation and most non-discretionary healthcare services. Out-of-hospital and discretionary benefits are provided through a personal medical savings account. An additional GAP benefit is available to MCP members paying up to 200% of the Scheme rate for specialist services rendered in hospital with the exception of Radiology and Pathology.

- The Standard Care Plan, (SCP).
  This is a traditional plan with defined benefits and annual limits. Hospital benefits are limited and all related services rendered in hospital accrue to this limit. Out-of-hospital benefits are limited, with consultations and medicines being limited under a single benefit, with the exception of Radiology and Pathology. Benefits are reimbursed at 100% of the Scheme Reimbursement Rate (SRR).

- The Value Care Plan (VCP).
  This a primary health care plan providing services through a capitated arrangement with Prime Cure. Members may only obtain services from Prime Cure facilities or network providers. Management is achieved through the Prime Cure protocols.

1.3 Registered Office:

45 Main Street	PO Box 62524
Johannesburg 2001	Marshalltown 2107

1.4 **Scheme Administrator** in office during the year under review:

Discovery Health (Pty) Ltd
16 Fredman Drive;
Sandton;
Johannesburg

The Scheme appointed a new administrator, Discovery Health (Pty) Ltd, effective 1 January 2014, to provide administration and managed care services which are delivered through an integrated delivery model.

1.5 Investment Managers and Custodian Bank in office during the year under review:

Allan Gray South Africa (Pty) Ltd
1 Silo Square, V&A Waterfront,
Cape Town 8001

Coronation Asset Management (Pty) Ltd
Mont Clare Place; 7th Floor; Cnr Campground and Main Roads
Claremont 7700

Investec Asset Management (Pty) Ltd
36 Hans Strydom Ave; Foreshore;
Cape Town 8001

Standard Bank of South Africa Limited
Investor Services; 2nd Floor; 25 Sauer Street;
Johannesburg 2001

1.6 Investment Advisor in office during the year under review:

Towers Watson
1st Floor; 44 Melrose Boulevard;
Melrose Arch 2076

1.7 Actuarial Advisor in office during the year under review:

NMG Consultants and Actuaries (Pty) Ltd
NMG House; 411 Main Avenue;
Randburg 2125

1.8 External Auditor during the year under review, as approved by the Annual General Meeting:

Deloitte and Touche
Deloitte Place; The Woodlands; Woodlands Drive; Woodmead;
Sandton

2 SCOPE OF THE REPORT

2.1 Guidelines

The Anglo Medical Scheme adheres to the governance framework set out in the King Report on Governance for South Africa and the King Code of Governance Principles (King III).

The Scheme's financial policies and Annual Financial Statements comply with the International Financial Reporting Standards (IFRS) as informed by the Medical Schemes Accounting Guide issued by the South African Institute of Chartered Accountants (SAICA) and the regulatory requirements as set out in the Medical Schemes Act, Act 131 of 1998 and its supporting Regulations.

2.2 Assurance

The Scheme's Actuaries comply with the best practice guideline issued in the Professional Guidance Note published by the Actuarial Society of South Africa.

The External Auditor expresses an audit opinion on whether the financial statements are prepared in all material respects with IFRS and the requirements of the Medical Schemes Act of South Africa. The External Auditor complies with International Standards on Auditing (ISA) in conducting the audit.

2.3 Independence

The External Auditor has adopted independence standards in compliance with the requirement of the International Federation of Accountants, Code of Ethics (IFAC).

3. CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Anglo Medical Scheme offers comprehensive healthcare benefits and services to its members which are high-quality, market competitive, cost-effective and consumer focused. These are supported by sound financial and risk management, administrative efficiency and the active participation of the members and employers. This ensures the Scheme's active compliance with the spirit of the law, ethical standards and international norms.

The affairs of the Scheme are managed by the Board of Trustees in compliance with the Scheme Rules in a manner that is fair, transparent, non-discriminatory and upholds the rights, values and dignity of members and other stakeholders. The Board performs its duties in accordance with the Board Charter and the Code of Conduct against which the Trustees biannually evaluate their performance and the performance of the Board as a whole. The Board shall at all times avoid conflicts of interests and Trustees are required to declare any interest they may have in any particular matter serving before the Board.

The Board cedes some of its responsibilities to the duly appointed and constituted Committees. It determines the Terms of Reference of the Committees, approves all policies proposed by the Committees and receives quarterly reports from the Committees. The Committees do not relieve the Trustees of any of their responsibilities, but assists them to fulfil those responsibilities.

The Audit Committee meets independently with the Internal and External Auditors annually. Based on the review of the internal controls and risk management, the assurance and results of the audit and the recommendation of the Audit Committee, the Board of Trustees is of the opinion that accounting policies, the internal control systems and the financial reporting practices have been found to be adequate and effective and that the basis for the preparation of the financial statements is sound.

The Scheme has supported aspects of the participating employers' social responsibility initiatives by adopting a progressive stand in the fight against HIV/Aids and diseases such as diabetes and cancer. The Scheme regularly communicates with the membership on health and benefit matters in the recognition that a healthy, educated workforce becomes a sustainable asset to a participating employer.

The commitment to the long-term sustainability of the Scheme and its members remains the guiding principle of the business. This has been strongly supported by the employers participating in the Scheme. To this end provision has been made to prefund the liability of the ageing population of the Scheme to ensure premiums and benefits remain market-related and competitive.

4. SCHEME STRATEGY AND OBJECTIVES

4.1 Long Term Funding

The Scheme's significantly higher beneficiary pensioner ratio than the industry average (24.9% compared to 7.1% - CMS report September 2014) increases the expected overall cost of providing adequate healthcare benefits at market related rates to our members. The Council for Medical Schemes definition of a pensioner is a beneficiary over the age of 65.

The Scheme entered into arrangements with the participating employer groups for grants to be made from time to time, at the employer's discretion, to meet the ongoing and the future cost of providing benefits for the large number of pensioner members. Annual actuarial valuations are performed in order to calculate the funding needed to continue to provide cost effective benefits to all members.

In performing the actuarial valuation the actuary makes long-term assumptions which may differ from those used during the Scheme's annual short-term budget process, as disclosed elsewhere in the notes to these annual financial statements. The following table demonstrates the financial impact of this strategy on the level of reserves held by the Scheme.

	2014 R'000	2013 R'000
Actuarially calculated balance of assets at the beginning of the year	2 511 157	2 420 498
Movement during the year	171 877	90 659
Actuarially calculated projection to year end based on December management accounts	2 683 034	2 511 157

The value of the Scheme's total long-term assets as at 31 December 2014 was R2.68 billion. This compares against the gross long-term liability calculated by the Scheme's consultants and actuaries of R2.78 billion. The assets required by the Scheme to carry the liability for the next 25 years are calculated as R2.01 billion.

4.2 Rate of Contribution Increase Strategy

Due to the average age of the Scheme membership being significantly higher than the average age of the industry, healthcare costs are also significantly higher. Likewise, contributions and annual increases would need to be higher than the industry average to fund the payment of claims. To prevent the member carrying the burden of these increased costs, an additional sum of money is provided by the reserves in the form of a monthly "clawback". An amount is budgeted annually to provide for the shortfall between the budgeted risk contribution income and claims incurred. The investment returns are currently sufficient to meet the clawback.

4.3 Investment Strategy

The Scheme's investment strategy has been, and remains, aimed at maximising the annual return at an acceptable level of risk within the constraints of the Medical Schemes Act. The Scheme believes that risk should be managed, in part, by holding a conservative, yet diversified, portfolio with a significant proportion of the assets providing returns that offer protection against inflation over the longer term.

The investment objective is to earn a gross return, before fees, which exceeds the Consumer Price Index by at least 4.5% p.a. over a rolling five year period. This has been achieved over the longer term.

ANNUALISED PERFORMANCE OF THE INVESTMENT PORTFOLIO			
Period	**Portfolio Performance (before management fees)**	**Consumer Price Index**	**CPI plus 4,5% p.a.**
1 January – 31 December 2014	10.7% p.a.	5.3% p.a.	9.8% p.a.
5 Years	9.5% p.a.	5.2% p.a.	9.7% p.a.
Since inception (168 months)	13.6% p.a.	5.7% p.a.	10.2% p.a.

The average increase in contributions over the five year period has been 7.7% p.a. The average estimated increase in contributions, had there not been additional funding provided from the Scheme's reserves, would have been 11.4% p.a.

Based on the above, the Trustees are confident that the overall long-term strategy will provide for the healthcare needs of the Scheme members into the foreseeable future.

5. KEY PERFORMANCE MEASURES

The performance of the Scheme is measured by the contribution increase that is effected annually coupled with benefit changes. Contributions have increased at a rate between 0.25 - 3.64% above CPI which is closely aligned to the medical inflation rate and below the industry average. Benefits have been improved over the period.

Year	2015	2014	2013	2012	2011
Average annual contribution increase per member	**6.5%**	**7.3%**	**7.5%**	**7.9%**	**7.3%**
CPI		**5.3%**	**5.4%**	**5.8%**	**5.0%**
** Industry Gross Average Increase per beneficiary*		*9.4%*	*9.7%*	*6.9%*	*9.1%*

** The industry figure quoted serves as a guide only.*
It reflects the industry average percentage increase in the gross contribution income per beneficiary as reported by the Council for Medical Schemes; not to be confused with the average annual percentage contribution increase that the member would experience.

6. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

6.1 Results of operations

. The Scheme sets targets each year for expected healthcare results taking the expected draw down (claw-back) from reserves into consideration. The net surplus is reinvested to meet expected future contribution shortfalls.

	2014 R'000	2013 R'000
Net healthcare result	**(83 137)**	**(58 559)**
Managed Care Plan	**(62 440)**	**(47 482)**
Standard Care Plan	**(20 471)**	**(10 991)**
Value Care Plan	**(226)**	**(86)**
Add: Net investment income	**255 014**	**149 217**
Net surplus for the year	**171 877**	**90 659**

The adult and child contributions are rebalanced annually by Plan, adjusting for changes in family size and ageing trends. The contribution increases are aligned to employee salary increases and the claims experience of each Plan to ensure affordability. For the period under review the increases were:

Premiums with effect 1 January 2014 were as follows:				
Average increase 7.3%	**2014**		**2013**	
	Adult	**Child**	**Adult**	**Child**
Managed Care Plan	2 975	683	2 780	638
Standard Care Plan	1 596	477	1 478	442
Value Care Plan	609	139	580	132

6.2 Outstanding risk claims

Movements in the outstanding risk claims provision are set out in Note 8 to the annual financial statements. The basis of calculation is consistent with the prior year; the decrease in the outstanding claims provision resulted from the change in administration. Members and healthcare providers of service responded to the change by submitting claims timeously in December 2013 resulting in the lower balance at the beginning of 2014. Payments of claims has been more efficient since the change of administration resulting in the lower outstanding risk claims provision at the end of 2014 and therefore the lower balance at the end of the period.

6.3 Accumulated Funds

Refer to page 5 of the Annual Financial Statements.

The accumulated funds ratio is calculated on the following basis:

Movements in the accumulated funds are set out in the Statement of Changes in Accumulated Funds as reflected in the annual financial statements.

	2014 R'000	2013 R'000
Total members' funds per Statement of Financial Position	**2 683 034**	**2 511 157**
Less: Reserve for unrealised investment gains	**(342 584)**	**(281 340)**
Accumulated funds per Regulation 29 of the Act	**2 340 450**	**2 229 817**
Annual contribution income per Statement of Comprehensive Income	**441 202**	**423 654**
Accumulated funds ratio calculated as the ratio of accumulated funds/gross annual contributions x 100 (including unrealised gains)	**608.1%**	**592.7%**
Accumulated funds ratio calculated as the ratio of accumulated funds/gross annual contributions x 100 (excluding unrealised gains)	**530.5%**	**526.3%**
Minimum ratio required by Regulation 29 of the Act	**25.0%**	**25.0%**

Refer to Note 4.1 above for the reasons for this level of funding.

The average accumulated funds per member as at 31 December 2014 was R291 951 (2013: R264 265).

6.4 Personal Medical Savings Accounts

Refer to notes 1.4 page 8, note 6 page 13 and note 17 page19 of the annual financial statements.

The Medical Schemes Act stipulates that positive member savings balances do not form part of a scheme's assets and may not be used to pay scheme expenses or risk claims.

The Scheme continues to manage member's savings balances in accordance with Circular 38 of 2011.
The members' ring-fenced savings are invested in an Investec Money Market account and a FNB current account which are reflected in the Statement of Financial Position as the savings account investment in current assets, standing at R115.00 million as compared to R100.85 million at the end of 2013.
The liability to members in respect of the savings accounts is reflected as a current liability in the annual financial statements, repayable in terms of Regulation 10 of the Act.

7. RISK

The Board of Trustees is responsible for the total risk management of the Scheme and has determined the risk strategy and policies based on the Scheme's appetite or tolerance for risk in line with the King Governance Principles set out in King III.

The Scheme has implemented a robust risk management frame work, which ensures an effective ongoing process to identify risk, the measurement of potential impact against a broad set of assumptions and that risk is proactively managed.

One of the primary objectives of the risk assessment process is to identify the key risks so that these can be accurately measured, monitored and managed. The risk assessment process provides a structured methodology to identify the risks within each area of business and assess the controls upon which management relies to mitigate these risks.

The Scheme risk assessment is a forward looking evaluation of both the potential and current risks faced by the various business units within the Scheme on a long-term and a daily basis. Assessments are completed which enable the Scheme Committees, Head Office and the management of the administrator to proactively identify, assess, monitor and manage the risks to which the Scheme is exposed.

The Board of Trustees identified the primary risks facing the Scheme to be:

7.1 Strategic Risk

The potential loss of value to the members and the employer groups due to the Scheme's inability to provide competitive, cost-effective high-quality products and services that are market related.

Factors driving this risk relate to its investments not delivering the required returns and escalation of healthcare costs. Much of this risk management and mitigation is discussed under Strategy, point 4 above and below under Committees of the Board of Trustees, point 10.

Legislative changes might impact the Scheme's ability to provide for the lifelong healthcare needs of the members. For example, the potential changes required to implement the proposed National Health Insurance policy may have a profound impact on the way the Scheme operates.

7.2 Operational Risks

The risk of loss arising from failed or inadequate internal processes, people, systems and / or external events. This category includes legal risk, project risk, business continuity risk, data risk, information technology risk, and human capital risk. The day-to-day management of the Scheme in accordance with all legislative requirements and best practice guidelines is monitored and measured on an ongoing basis and is discussed under point 8 below.

7.3 Investment Risk

The Scheme has identified investment risk as the risk of a decline in the net realisable value of investment assets as a result of adverse movements in market prices or factors specific to an investment itself which may impact on the Scheme's long term objectives. These may arise due to movements in interest rates, property values, exchange rates, or equity and commodity prices and may be a result of macro global trends or internal domestic fluctuations.

7.4 Compliance Risk

As defined in the Medical Schemes Act, the business of a scheme is to undertake liability in return for a premium or contribution and to grant assistance in defraying expenditure incurred in obtaining any relevant health service. Compliance risk is the risk of statutory or regulatory sanction or material financial losses as a result of a failure to comply with applicable laws, regulations or supervisory requirements.

8. RISK MANAGEMENT AND MITIGATION

Refer to note 22 page 20 and note 23 page 23 of the annual financial statements.

The Scheme maintains a sound system of risk management and internal control providing reasonable assurance in the achievement of the organisational objectives with respect to:

- effectiveness and efficiency of operations;
- safeguarding of the Scheme's assets (including information);
- compliance with applicable laws, regulations and supervisory requirements;
- supporting business sustainability under normal and adverse operating conditions;
- reliability of reporting; and
- behaving responsibly towards all stakeholders.

The risk assessment process:

- Focuses on the underlying causes of risks and not just the financial impacts;
- Facilitates the assessment of existing controls;
- Identifies priority areas so that effective testing of controls can take place;
- Assists management to determine the actions required to address the key risks identified;
- Assists in forecasting the Scheme's potential risk exposure going forward; and
- Allocates actions to staff that are able to effectively oversee the required activities.

The Board ensures that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken annually and at appropriately considered intervals for the purpose of making its public statement on risk management.

Risk management and internal control are practiced throughout the Scheme by all staff, and are embedded in day-to-day activities.

Several methods are employed to assess and monitor risk exposure both for individual types of risks insured and overall risks. These methods include the use of internal risk measurement models, sensitivity analyses and scenario analyses all of which are subject to strict audit criteria.

In addition to the Scheme's other compliance and enforcement activities, the Board has implemented a confidential reporting process ("whistleblowing") covering fraud and other risks.

The Board has delegated the risk management process to the Management Committee and the oversight of the risk management to the Audit Committee. Both Committees are answerable to the Board and neither relieves the Trustees of any of their responsibilities, but assists them to fulfil those responsibilities.

8.1 Risk transfer arrangements

Refer to note 11 page 16 of the annual financial statements.

In line with the vision to soundly manage the claims risk, the Scheme has entered into risk-sharing agreements with third party service providers to ensure cost effective services. This provides the Scheme with the ability to mitigate an identified risk by agreement with a third party service provider. The principal is based on the sharing of predefined potential claims loss in return for exclusivity of delivering the service.

The following risk-sharing capitation arrangements were entered into for the year:

Organisation	Services capitated	Scheme's Plan
Prime Cure (Pty) Ltd	Provides primary healthcare services at Healthcare centres and contracted network service providers, including a limited hospital benefit.	Value Care Plan
Netcare 911 (Pty) Ltd	Provides emergency transport services and other ambulance services.	Managed Care Plan Standard Care Plan
Centre for Diabetes & Endocrinology (CDE)	Provides diabetes related medical services including related hospitalisation expenses.	Managed Care Plan Standard Care Plan

9. GOVERNANCE

The Scheme vision is supported by the Board Charter wherein the Board commits to act in good faith with utmost due care, diligence and skill. Each Trustee is required to aspire to the core ethical principles of fairness, transparency, honesty, non-discrimination, accountability and respect for human dignity and rights.

The Board delegates the duty of delivery and operation of the functions to the duly constituted Committees while remaining fully responsible for the performance of the Scheme and accountable to the membership. The principles of good governance and sound business ethics are firmly adhered to through the adoption of the King III guidelines, a culture of rigorous risk and financial management and a stringent auditing process.

The Scheme complies with International Financial Reporting Standards and all the relevant legislative requirements.

9.1 Compliance with the Medical Schemes Act, the "Act"

Refer note 28 page 26 of the annual financial statements.

The Trustees are of the opinion that there are no material deviations from the Act.

Where non-compliance has been incurred corrective measures have been taken to remedy the position and, if appropriate, the Scheme has made application to the Council for Medical Schemes for exemption from the relevant sections of the Act.

All Plans incurred a net healthcare deficit, whereas the Act requires that they are self-supporting and financially sound. The Scheme budgets a deficit in line with the strategic objective of using reserving to make up the shortfall to ensure market related contributions.

10 MANAGEMENT

10.1 Board of Trustees in office during 2014:

Barber DD (Chairman)	Member elected
du Bois MA (Vice-Chairman)	Employer appointed
Elliott CC	Employer appointed
Ghavalas D	Employer appointed
Fox Dr FH	Employer appointed
Howell GAE	Employer appointed
Mayet S	Employer appointed
Farrell MR	Member elected
Graham MD	Member elected
Laubscher PA	Member elected
McKie Thomson CC	Member elected
Preston GJ	Member elected

10.2 Alternate Trustees in office during 2014:

Masarira A	Employer appointed
Stanley J	Employer appointed
Troskie JC	Employer appointed (resigned 31/08/2014)
Vatsha P	Employer appointed
Mandlana W	Employer appointed (appointed 31/03/2014, resigned 31/08/2014)
Mason-Gordon NJ	Employer appointed (appointed 31/03/2014)
Mc Callum DR	Employer appointed (appointed 17/09/2014)
Chetty P	Member elected
Hosking S	Member elected
Liston J	Member elected
Sanford LR	Member elected
Switala BI	Member elected

10.3 Management Committee in office during the year under review:

du Bois MA (Chairman); Farrell MR; Fox Dr FH; Ghavalas D; Graham MD; Liston J; Troskie JC (resigned 31/08/2014); Mc Callum DR (appointed 17/09/2014).

10.4 Health Risk Management sub-committee of the Management Committee in office during the year under review:

Fox Dr FH (Chairman); du Bois MA (ex-officio).

10.5 Audit Committee in office during the year under review:

Brown M (Chairman, Independent); Barber DD; Geake AC (Independent) (retired 30/06/2014); Howell GAE; Prinsloo J (Independent) (appointed 01/08/2014); Rood EJ (Independent).

10.6 Appeals Committee in office during the year under review:

Fox Dr FH (Chairman); Farrell MR; Graham MD; Laubscher PA.

10.7 Investment Committee in office during the year under review:

Barber DD (Chairman); Colebank CJ (External consultant); du Bois MA; Elliott CC; Ghavalas D; Thompson HM; (External consultant); Yates CWP (External consultant).

10.8 Communications Committee in office during the year under review:

du Bois MA (Chairman); Farrell MR; Graham MD; McKie Thomson CC; Preston GJ.

10.9 Disputes Committee in office during the year under review:

Demetriou C (member elected); Dixon C (member elected); Van Staden M (member elected).

10.10 Principal Officer and staff in office during the year under review:

Robertson FK (Principal Officer)	Scheme employed
Gröpp-Els E (Medical Manager)	Scheme employed
Friese J (Communications Manager)	Scheme employed
Landsberg Y (Scheme Secretary)	Scheme employed

11. SUB COMMITTEES OF THE BOARD OF TRUSTEES:

11.1 AUDIT COMMITTEE

The Audit Committee is established in accordance with the provisions of the Act and is mandated by the Board of Trustees by written terms of reference as to its membership, authority and duties. The Committee consists of five members, two of whom are members of the Board of Trustees.

The majority of the Committee, including the chairperson, is independent and does not serve on the Board of the Scheme or act on behalf of the administrator.

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 Auditor formally reports to the Committee on critical findings arising from the statutory audit. The Internal Auditor attends meetings and reports findings to the Audit Committee.

The Committee met regularly during the year and both the Internal and External Auditor are invited to attend all Committee meetings, who also had unrestricted access to the Chairman of the Committee at all times. The Audit Committee is satisfied that the External Auditor is independent of the Scheme.

11.1 AUDIT COMMITTEE (continued)

The Audit Committee is pleased to report that:

- It has carried out its duties in terms of the Medical Schemes Act and the Board of Trustees written Audit Committee charter;
- The External Auditor has confirmed their independence;
- The assurances provided by Administrator management, the External Auditor and the Internal Auditor have satisfied the committee that the controls are adequate and effective;
- It has ensured the co-ordination of the approaches of the Internal and External Auditor and has had oversight of the financial reporting process;
- It has evaluated the effectiveness of the risk management and governance.
- It has received the assurance from the External and Internal Auditors that nothing had come to their attention that compromised the effectiveness of the controls as they apply to the annual financial statements; and
- It has reviewed the approach taken to the application of King III and has found no material weakness.

The Audit Committee has reviewed the Scheme's annual financial statements, reviewed the accounting policies, obtained assurances from the External Auditor and recommended the adoption of the annual financial statements by the Board of Trustees for presentation to members.

11.2 INVESTMENT COMMITTEE

Refer to note 23 page 23 of the annual financial statements.

The Investment Committee is a duly constituted sub-committee of the Board of Trustees and has the responsibility to assist the Board of Trustees in carrying out their duties relating to the Scheme's investment policy and strategy. It is mandated by means of written terms of reference as to its membership, authority and duties.

The Investment Committee consists of four members of the Board of Trustees and three external investment specialists. The Scheme appointed Towers Watson as independent investment consultants to assist the Committee. The current investment managers of the Scheme are Investec Asset Management (Pty) Ltd, Coronation Asset Management (Pty) Ltd and Allan Gray South Africa (Pty) Ltd. The recent review of the investment strategy is discussed in more detail in Section 3 of this report.

The Committee met regularly during the year and the investment consultant attended all Committee meetings with the investment managers attending at least one meeting per annum.

The Investment Committee reviews the strategy regularly in accordance with the mandate set by the Board of Trustees and advises on the structure of the portfolio as well as risk mitigation to ensure sustainability of the Scheme's long-term cross subsidy liability funding requirements.

11.3 MANAGEMENT COMMITTEE

The Management Committee is mandated by the Board of Trustees to oversee and review the management of the day-to-day administrative and health, administration and financial risk management (with the exception of investment risk management), and financial functions of the Scheme, by means of written terms of reference as to its membership, authority and duties.

This Committee is chaired by the Vice Chairman of the Scheme and comprises six Trustees and one alternate trustee who meet a minimum of eight times a year to review key indicators and make formal proposals and recommendations to the Board of Trustees. The Chairman of the Scheme is invited to attend the meetings ex-officio.

Administrative risk management measures are employed to ensure good governance of the access to benefits; these include, but are not limited to pre-authorisation, case management, service provider profiling, billing audits and interventions in respect of fraud.

11.4 HEALTH RISK MANAGEMENT SUB-COMMITTEE

The Health Risk Management sub-committee is mandated by the Board of Trustees and is a sub-committee of the Management Committee. It is answerable to the Management Committee and its primary function is to assist the Trustees with the identification and management of the medical scheme member's health risks.

This Committee has been inactive for the period under review due to the change of administration and consequent change risk management and reporting.

11.5 APPEALS COMMITTEE

The Appeals Committee is mandated by the Board of Trustees to hear and adjudicate member appeals against existing benefit limitations and to grant ex-gratia benefits as deemed appropriate according to the individual merits of each case. These awards will be granted on the basis of the exceptional nature of the clinical circumstances of the case and/or financial hardship of the individual member.

It is governed by means of written terms of reference as to its membership, authority and duties. This Committee meets monthly and is chaired by a Trustee who is a medical practitioner and assisted by three Trustees.

11.6 COMMUNICATIONS COMMITTEE

The overall objective of the Communications Committee is to advise and educate members and employers on benefits and Scheme matters and also to create an understanding of the complexities of the healthcare industry. The Committee is chaired and assisted by Trustees, a pensioner representative and employer representatives and meets as and when required.

The aim of the Communications Committee is:

- To be close to the members' needs and to focus on providing the best possible, efficient and effective communication to enable members to obtain maximum advantage from their benefits;
- To promote member interest and participation in their Scheme;
- To encourage and assist members to know their health status;
- To develop and implement a communication strategy for the Scheme; and
- To inform all stakeholders about the Scheme.

The Committee is committed to delivering content that is simple, clear and unambiguous using media and language that is appropriate and meaningful to stakeholders.

The Committee remains approachable to stakeholders and invites conversation, participation and feedback from the members thus creating a sense of ownership.

11.7 DISPUTES COMMITTEE

The Disputes Committee is an independent Committee and comprises three members who are appointed by members at the Annual General Meeting. The appointed members may not be administrators, trustees or officers of the Scheme.

The main function of this Committee is to deal with members' disputes where the member is dissatisfied with the outcome of a complaint lodged with either the administrator, Principal Officer or the Appeals Committee. No disputes were raised in 2014, therefore no meetings were held during the year.

11.8 REGIONAL COMMITTEES

Regions are established based on the number of members represented in a specific region. Business units are defined and designated by participating employers in each region.

There are currently three regions, namely; Central Region (Gauteng, Limpopo and Mpumalanga), Eastern Region (KwaZulu Natal) and the Southern Region (Western Cape, Eastern Cape, Northern Cape).

Each Regional Committee comprises a chairperson, Trustee, employer and member representative and meets quarterly. The main function of these Committees is to provide feedback from the Board of Trustees meetings to the participating employers of the Scheme; who in turn provide feedback to all their respective active and retired members.

12. TRUSTEE AND NON-TRUSTEE MEMBERS ATTENDANCE AT COMMITTEE MEETINGS

Trustee / Non- Trustee members	Board of Trustees		Audit Committee		Investment Committee		Management Committee		Ex-gratia Appeals Committee		Com-munications Committee	
	A	B	A	B	A	B	A	B	A	B	(Ad hoc basis)	
Trustees												
Barber DD	5	5	3	3	4	4		*1				
du Bois MA	5	4			4	3	11	10				2
Elliott CC	5	4			4	2	11	*2				
Farrell MR	5	5					11	8	6	6		1
Fox FH	5	4					11	11	6	5		
Ghavalas D	5	5			4	4	11	11				1
Graham MD	5	4					11	9	6	5		
Howell GAE	5	5	3	3								
Laubscher PA	5	4							6	6		
Mayet S	5	1										
McKie Thomson CC	5	5						*7				1
Preston GJ	5	5						*1				1
Alternate Trustees/ Non -Trustee members												
Brown M			3	3								
Colebank C					4	3						
Geake AC			2	2								
Prinsloo, J			1	1								
Liston J							11	10				
Troskie, JC							7	2				
McCallum, DR							5	4				
Rood E J			3	3				3				
Thompson, H					4	3						
Yates CWP					4	4						
Total fees payable excluding travel disbursements												

A =maximum possible attendance; **B** =actual attendance; ***** Voluntary attendance.

13. Operational statistics

The detailed statistics per plan are reflected in the table below:

Operations stats comparison:	Managed Care		% inc/dec	Standard Care		% inc/dec	Value Care		% inc/dec	Total	Total	% inc/dec
	2014	2013		2014	2013		2014	2013		2014	2013	
Number of members at the end of the accounting period	5,258	5,526	**-4.85%**	3,585	3,544	**1.16%**	347	286	**21.33%**	9,190	9,356	**-1.77%**
Average number of members for the accounting period	5,372	5,622	**-4.45%**	3,593	3,596	**-0.08%**	321	262	**22.52%**	9,286	9,480	**-2.05%**
Beneficiaries at the end of the accounting period	10,216	10,984	**-6.99%**	8,551	8,527	**0.28%**	780	678	**-13.08%**	19,547	20,189	**-3.69%**
Beneficiaries per member at the end of the accounting period	1.94	1.99	**-2.36%**	2.39	2.41	**-1.03%**	1.95	2.37	**-17.56%**	2.12	2.16	**-2.04%**
Average age of beneficiaries for the accounting period	51.2	50.02	**2.36%**	32.46	32.27	**0.59%**	24.6	24.21	**1.61%**	41.94	41.66	**0.67%**
Pensioner ratio (beneficiaries > 65 years)	38.86%	36.4%	**6.76%**	10.34%	10.0%	**3.40%**	1.41%	1.33%	**6.02%**	24.89%	24.1%	**3.28%**
Average gross contributions per member per month	R 4,844	R 4,586	**5.63%**	R 2,769	R 2,581	**7.30%**	R 954	R 923	**3.33%**	R 3,907	R 3,724	**4.91%**
Average gross contributions per beneficiary per month	R 2,547	R 2,347	**8.54%**	R 1,164	R 1.088	**6.96%**	R 452	R 357	**26.48%**	R 1,866	R 1,749	**6.68%**
Average gross claims incurred per member per month	R 4,408	R 4,867	**-9.42%**	R 2,875	R 2,563	**12.16%**	R 898	R 822	**9.26%**	R 3,694	R 3,878	**-4.76%**
Average gross claims incurred per beneficiary per month	R 2,318	R 2,491	**-6.94%**	R 1,208	R 1,081	**11.74%**	R 425	R 318	**33.72%**	R 1,764	R 1,821	**-3.14%**
Average administration costs per member per month	R 295	R 273	**7.89%**	R 275	R 219	**25.40%**	R 110	R 129	**-14.60%**	R 280	R 249	**12.63%**
Average administration costs per beneficiary per month	R 155	R 140	**10.63%**	R 115	R 93	**24.08%**	R 52	R 50	**4.32%**	R 134	R 117	**14.47%**
Average managed care: Management services per member per month	R 87.03	R 57.92	**50.25%**	R 88.11	R 62.38	**41.25%**	R 0.00	R 0.00	**0.00%**	R 84.44	R 58.01	**45.56%**
Gross claims as a % of gross contributions	108%	112%	**3.57%**	104%	100%	**4.00%**	94%	89%	**5.62 %**	106%	108%	**-1.85%**
Managed care: Management services as % of gross contributions	1.80%	1.26%	**42.58%**	3.18%	2.41%	**32.01%**	0.00%	0.00%	**0.00%**	2.16%	1.56%	**38.54%**
Administration expenses as a % of gross contributions	6.08%	5.96%	**2.01%**	9.92%	8.50%	**16.66%**	11.55%	13.93%	**-17.07%**	7.18%	6.68%	**7.46%**

14. ACTUARIAL SERVICES

The Scheme's actuaries are contracted to identify and monitor health related risks, establish claiming patterns and determine contribution and benefit levels. They also participate in the annual calculation of the outstanding claims incurred, but not yet reported and paid by the Scheme (IBNR). The Scheme's long-term funding valuation is calculated and annually reviewed by the actuaries.

15. GUARANTEES RECEIVED BY THE SCHEME FROM A THIRD PARTY - None

16. INVESTMENTS IN AND LOANS TO EMPLOYERS OF MEMBERS OF THE SCHEME AND TO OTHER RELATED PARTIES

Refer to related parties disclosure in Note 20 page 19 of the annual financial statements.

17. RELATED PARTY TRANSACTIONS

Refer to related parties disclosure in Note 20 of the annual financial statements. Trustee remuneration is disclosed in Note 29, page 29 of the annual financial statements.

18. SUBSEQUENT EVENTS

No events have occurred subsequent to the end of the accounting period to the date of this report that affect the annual financial statements that the Trustees consider should be brought to the attention of the members of the Scheme.

19. COMPLIANCE WITH THE MEDICAL SCHEMES ACT

The Trustees are of the opinion that there are no material deviations from the Act.

19.1 Outstanding contributions

Nature and impact
In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Scheme. Per the Scheme rules, contributions are required to be received at least three days after their due date. Instances were noted where contributions were received late.

Causes for failure
Balances after three days are due to reconciling discrepancies between the participating employers and the Scheme. The risk of default on payments due to the Scheme is small because of the restricted nature of the Scheme and employer base.

Corrective action
Suspension policies are in place and applied where contributions are outstanding beyond the participating employers' available credit terms.

19.2 Investment in participating employer

Nature and impact

Section 35(8) (a) of the Medical Schemes Act 131 of 1998 states that a medical scheme shall not invest any of its assets in a participating employer. During the year the Scheme had direct and indirect exposure to investments in participating employer groups.

Causes for failure

The Scheme invests in pooled investment vehicles which allow investment managers discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark. Given this approach, the Scheme was exposed to participating employer shares.

Corrective action
The Scheme has applied to the Council for Medical Schemes and received an exemption from this section of the Medical Schemes Act.

19.3 Investment in administrator

Nature and impact
Section 35(8) (c) of the Medical Schemes Act 131 of 1998 states that a medical scheme shall not invest any of its assets in any administrator. During the year the Scheme had direct and indirect exposure to such investments.

Causes for failure
The Scheme invests in pooled investment vehicles which allow investment managers discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark.

Corrective action
The Scheme has applied to the Council for Medical Schemes and received an exemption from this section of the Medical Schemes Act.

19.4 Investment limitations

Nature and impact

Regulation 30(3) states that a medical scheme shall not invest more than 40% of its assets in local equities. The Scheme exceeded this limit throughout the year.

Causes for failure
The Act makes provision for medical schemes to exceed the limit of 40% on local equities under certain circumstances. The Board of Trustees decided to exceed the limit after complying with all the required circumstances. The purpose is to maximise investment income on a long-term basis.

Corrective action
The Scheme submitted a certified statement prepared by its consultants to the Council for Medical Schemes to state that an alternative percentage of 75% should apply to the excess assets as described in Regulation 30(3).

19.5 Payment of claims within 30 days

Nature and impact

In terms of section 59(2) of the Act a member or provider claim should be settled within 30 days of submission. During sample testing exceptions were noted where settlements took more than 30 days.

Causes for failure
Delays occur when accounts are referred for clinical audit or other investigations. These are the exceptions; all straightforward claims are paid within the prescribed time.

Corrective action
Retrospective evaluation is an inherent part of medical scheme business resulting in the payment of claims potentially exceeding of the 30 day stipulation. Every effort is taken to ensure compliance.

19.6 Sustainability of benefit options

Nature and impact

In terms of section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance. At 31 December 2014 all three options incurred deficits as set out in note 30 to the annual financial statements.

Causes for failure
The Board of Trustees annually maintain market related benefit offerings and competitive contribution increases. Due to the Scheme demographics, this gives rise to the non-compliance.

Explanation and Corrective action
Anglo American plc sold numerous subsidiaries over a period of time resulting in the loss of active employees and retention of pensioners. To compensate the Scheme for the resultant high pensioner ratio and expected deterioration of the claiming profile, the Participating Employers pre-funded the additional liability to the extent that the Scheme could maintain market related benefits and contribution increases into the future. The Scheme meets its responsibility to the members by subsidising the expected claims excess over contributions from the reserves. The current investment returns are sufficient to meet the shortfall.

The Council for Medical Schemes is aware of the Scheme's strategy and approves the benefits and contributions annually without any requirement to take corrective action.

DD Barber
Chairman

MA du Bois
Vice-Chairman

FK Robertson
Principal Officer