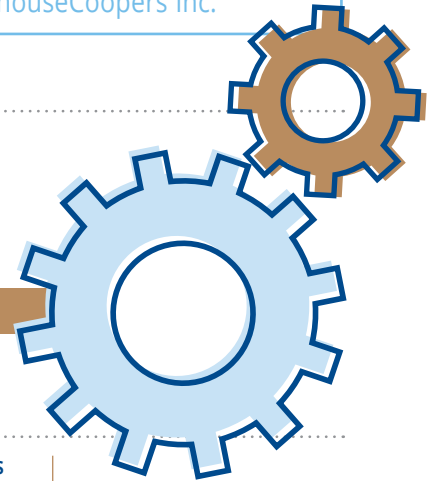


# FOR THE BENEFIT OF OUR MEMBERS

## HIGHLIGHTS OF THE DISCOVERY HEALTH MEDICAL SCHEME'S FINANCIAL RESULTS FOR 2014

This document contains **highlights of the Scheme's results for the year ended 2014, extracted from the 2014 Integrated Annual Report**. The financial information has been extracted from and is in agreement with the Annual Financial Statements audited by PricewaterhouseCoopers Inc.



HIGHLIGHTS

### LIVES COVERED

Membership (lives)

**2 634 819**

2 564 313 IN 2013

2.7% CHANGE

Average age of beneficiaries (years)

**33.58**

33.29 IN 2013

0.87% CHANGE

Pensioner ratio (beneficiaries over 65 years)

**8.17%**

7.76% IN 2013

0.41% CHANGE

### OPERATING RATIOS

Gross contribution income

**R44.91  
BILLION**

R40.46 BILLION  
IN 2013

11% CHANGE

Risk contribution income

**R36.1  
BILLION**

R32.5 BILLION  
IN 2013

11.11% CHANGE

Members' funds/Reserves

**R11.7  
BILLION**

R9.9 BILLION  
IN 2013

17.68% CHANGE

Solvency ratio

**25.76%**

24.30%  
IN 2013

1.46% CHANGE

### OPERATING RATIOS

2014

2013

OPERATING RATIOS	2014	2013
Average net contributions per member per month	R2 489	R2 320
Average net claims per member per month	R2 037	R1 876
Average accumulated funds per member at year end	R9 639	R8 364
Average administration costs per member per month	R247.18	R238.37
Average administration costs per beneficiary per month	R115.13	R110.49
Average managed care: management services per member per month	R82.80	R78.56
Average managed care: management services per beneficiary per month	R38.57	R36.41
Average combined administration and managed care fees per member per month	R329.98	R316.93
Average combined administration and managed care fees per beneficiary per month	R153.70	R146.90
Administration fees as a % of gross contributions	7.98%	8.26%
Managed care fees as a % of gross contributions	2.67%	2.72%
Combined administration and managed care fees as a % of gross contributions	10.65%	10.98%
Average total non-healthcare expenses per member per month	R418.18	R397.31
Average total non-healthcare expenses per beneficiary per month	R194.78	R184.15
Total non-healthcare expenses as a % of risk contributions	16.25%	17.00%
Average return on Scheme assets	8.21%	8.59%

# The Discovery Health Medical Scheme continued its record of strong performance despite increasingly difficult economic conditions in South Africa.

The International Monetary Fund cut the country's growth prospects from 2.3% in April 2014 to 1.7% in June 2014. News of widespread industrial action and declining international demand for South African exports dominated news headlines for most of the year.

Some of the Scheme's members and employer groups were adversely affected by these economic conditions, but in testament to the Scheme's ability to meet the diverse needs of its members, it experienced another successful year of operation. Lapse rates remained very low at 4.5%, despite the challenging economic conditions. Steady membership growth resulted in 2 634 819 (2013: 2 564 313) beneficiaries covered – an increase of 2.7% from an already high base.

Gross contribution income for 2014 exceeded R44 billion with a strong net healthcare result of R753 million (2013: R860 million) and a net surplus (including investment income) of R1.5 billion.

Claims for 2014 have exceeded R29 billion, with a net loss ratio of 97.51%. Legislation requires the Scheme to maintain 25% of gross annual contribution income as accumulated funds. The Scheme's strong annual membership growth has historically created short-term solvency pressure, because although new members join the Scheme without reserves, the Scheme has to hold the full 25% solvency requirement from their date of joining. In 2011 the Scheme presented a business plan to the Council for Medical Schemes, outlining its plan to reach the required solvency level, with set targets for each year. During 2014 the Scheme reached a solvency level of 25.76% of gross annual contribution income, exceeding the statutory requirement and the business plan target level, one year earlier than the anticipated target date. Member reserves have increased to a considerable R11.7 billion.

The Board, with the support of the Non-healthcare Expenses Committee, has maintained its strong focus on ensuring that non-healthcare expenses, the only cost component that reduces annually in real terms, remain on a steady downward trajectory. Administration and managed healthcare fees have increased by 1.3% below the inflation rate for the period under review.

The Scheme focused strongly on its primary goal of securing the best possible value for money for its members in terms of the benefits, service levels, and quality of care they receive in return for the contributions they pay. During the 2014 financial year, the Scheme and Administrator invested significant time and resources in ensuring that members experience a simpler, more streamlined private healthcare experience. In this year's report you will read the stories of three members who have benefited from the Scheme's rich and innovative benefit design as well as the Administrator's ability to work closely with health professionals to coordinate the

care members receive. This results in fewer consultations, tests and procedures and ensures that the best possible clinical outcomes are attained. The Scheme has also recognised, as good business practice, the six principles enshrined in the Financial Services Board's Treating Customers Fairly (TCF) regulatory framework. These principles serve as a guiding influence in the Scheme and Administrator's decision-making processes.

They are:

- Customers can be confident they are dealing with institutions where TCF is central to the corporate culture.
- Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.
- Customers are provided with clear information and kept appropriately informed before, during and after point of sale.
- Where advice is given, it is suitable and takes account of customer circumstances.
- Products perform as institutions have led customers to expect, and service is of an acceptable standard and as customers have been led to expect.
- Customers do not face unreasonable post-sale barriers imposed by institutions when changing product, switching providers, submitting a claim or making a complaint.

In addition, ongoing market analysis has shown that Discovery Health Medical Scheme remains the most affordable medical scheme across the entire spectrum of healthcare plans available in the open medical schemes market on a like-for-like basis. On average, contributions are 14% lower than those of the next nine medical schemes competing in the open medical schemes market.

The Scheme has again retained its AA+ credit rating for its claims-paying ability from independent credit rating agency Global Credit Ratings Co. This is the highest rating a medical scheme is able to attain in South Africa and the Scheme has achieved this rating for the 14th consecutive year. Our members can therefore rest assured that the Scheme is able to fund their healthcare expenses reliably and sustainably for the foreseeable future.

The Scheme has continued to leverage the business model it has implemented with its Administrator and Managed Healthcare provider, Discovery Health (Pty) Ltd. This particular business model, based on the principles of vested outsourcing, has yielded tremendous value for the Scheme and its members. It is evident in the Scheme's record of innovation performance that the integrated operating model (one administrator) results in better performance compared to that of a scheme that adopts a fragmented operating model (multiple administrators). The Scheme office and Board of Trustees oversee the Administrator's performance as measured

against a set of formalised service level metrics. This ensures that Discovery Health (Pty) Ltd is strategically aligned to the Scheme's primary objective of creating value for its members.

The Scheme's Administrator implements a level of operations that remains unparalleled in the industry. With over 50 000 calls answered each day and just under 4 million claims processed every month, the Scheme and Discovery Health (Pty) Ltd have developed a range of technological and service innovations, including smartphone and tablet applications for members and health professionals. These applications have been enhanced to broaden their reach and the depth of information available to members and health professionals. More than 1 200 doctors use the HealthID application and over 550 000 members have given their consent, allowing their doctors to access their medical treatment history. This innovation plays an increasingly critical role in our ability to improve the quality of care that members receive. The link to telemetric diabetes monitoring that was introduced during the 2014 benefit year has proved effective in helping members with diabetes control their disease. Their doctors are able to electronically access a history of their blood glucose readings, add comments and notes to the patient's profile and view wellness data and a summary of any hospital events. This

kind of proactive management results in a better managed disease, with members experiencing fewer or less intense clinical interventions.

Discovery Health Medical Scheme realises the important role of every contributor in the country's private healthcare system, but we acknowledge the challenge posed by trying to meet the needs of all the Scheme's stakeholders while ensuring long-term sustainability. This dynamic and complex operating environment however emphasises the need for medical schemes to implement transparent and responsible healthcare funding solutions. The Scheme, under the guidance of the Board of Trustees and with operational support from Discovery Health (Pty) Ltd, will continue to find ways of ensuring that our members benefit from access to the best quality healthcare at the most affordable rates and that society as a whole benefits from a stable private healthcare system.



MILTON STREAK  
PRINCIPAL OFFICER

## Extracts from the audited Annual Financial Statements // Statement of Financial Position as at 31 December 2014

R'000	2014	2013
<b>ASSETS</b>		
<i>Non-current assets</i>	<b>1 511</b>	1 717
Long Term Employee Benefit Plan asset	<b>1 511</b>	1 717
<i>Current assets</i>	<b>16 785 039</b>	14 571 535
Financial assets at fair value through profit or loss	<b>9 474 520</b>	7 607 085
Derivative financial instruments	<b>22 700</b>	17 250
Trade and other receivables	<b>1 604 550</b>	1 497 921
Cash and cash equivalents		
– Personal Medical Savings Account trust assets	<b>3 188 789</b>	2 619 305
– Medical Scheme assets	<b>2 494 480</b>	2 829 974
<b>Total assets</b>	<b>16 786 550</b>	14 573 252
<b>FUNDS AND LIABILITIES</b>		
<i>Members' funds</i>	<b>11 652 804</b>	9 970 118
Accumulated funds	<b>11 652 804</b>	9 970 118
<i>Current liabilities</i>	<b>5 133 746</b>	4 603 134
Outstanding claims provision	<b>845 795</b>	812 190
Derivative financial instruments	<b>5 969</b>	40 685
Personal Medical Savings Account trust liabilities	<b>3 250 743</b>	2 776 720
Trade and other payables	<b>1 031 239</b>	973 539
<b>Total funds and liabilities</b>	<b>16 786 550</b>	14 573 252


Extracts from the audited Annual Financial Statements //  
**Statement of Comprehensive Income** for the year ended 31 December 2014

03

R'000	2014	2013
	⬇	
<b>Risk contribution income</b>	<b>36 111 000</b>	32 509 819
<b>Relevant healthcare expenditure</b>	<b>(29 491 013)</b>	(26 230 531)
Net claims incurred	<b>(29 552 978)</b>	(26 285 077)
Claims incurred	<b>(29 652 737)</b>	(26 310 242)
Third party claim recoveries	<b>99 759</b>	25 165
Net income on risk transfer arrangements	<b>61 965</b>	54 546
Risk transfer arrangement fees	<b>(325 975)</b>	(297 760)
Recoveries from risk transfer arrangements	<b>387 940</b>	352 306
<b>Gross healthcare result</b>	<b>6 619 987</b>	6 279 288
Managed care: management services	<b>(1 201 155)</b>	(1 101 009)
Broker service fees	<b>(918 871)</b>	(825 263)
Expenses for administration	<b>(3 585 641)</b>	(3 340 754)
Other operating expenses	<b>(161 129)</b>	(152 486)
<b>Net healthcare result</b>	<b>753 191</b>	859 776
<b>Other income</b>	<b>983 126</b>	824 297
Investment income	<b>859 112</b>	682 482
Net gains on financial assets at fair value through profit or loss	<b>116 457</b>	135 990
Sundry income	<b>7 557</b>	5 825
<b>Other expenditure</b>	<b>(199 509)</b>	(149 573)
Expenses for asset management services rendered	<b>(17 704)</b>	(12 619)
Interest paid	<b>(181 805)</b>	(136 954)
<b>Net surplus for the year</b>	<b>1 536 808</b>	1 534 500
<b>Other comprehensive income</b>	<b>-</b>	-
<b>Total comprehensive income for the year</b>	<b>1 536 808</b>	1 534 500

**Statement of Changes in Funds and Reserves** for the year ended 31 December 2014

R'000	2014 Accumulated funds	2013 Accumulated funds
	⬇	
Balance at beginning of the year	<b>9 970 118</b>	8 240 820
Total comprehensive income for the year	<b>1 536 808</b>	1 534 500
Reserves transferred from other medical schemes	<b>145 878</b>	194 798
Balance at end of the year	<b>11 652 804</b>	9 970 118

R'000	2014	2013
		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash flows from operations before working capital changes	799 556	906 936
Working capital changes:		
Increase in trade and other receivables	(160 458)	(68 704)
Increase in outstanding claims provision	33 605	43 515
Increase in Personal Medical Savings Accounts	474 023	485 140
Increase in trade and other payables	15 689	136 248
Cash generated by operations	1 162 415	1 503 135
Purchases of financial instruments	(3 448 243)	(1 655 782)
Proceeds from sale of financial instruments	1 737 654	1 335 595
Cash transferred from other medical schemes	104 624	40 624
Interest received	835 728	667 924
Dividend income	23 617	14 648
Interest paid	(181 805)	(136 954)
<b>Net cash flows from operating activities</b>	<b>233 990</b>	<b>1 769 190</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>233 990</b>	<b>1 769 190</b>
Cash and cash equivalents at beginning of year	5 449 279	3 680 089
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>5 683 269</b>	<b>5 449 279</b>
<b>Cash and cash equivalents comprise:</b>		
Personal Medical Savings Accounts trust assets	3 188 789	2 619 305
Medical Scheme assets	2 494 480	2 829 974
	<b>5 683 269</b>	<b>5 449 279</b>
<b>CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES</b>		
Net surplus for the year	1 536 808	1 534 500
Adjustments for:		
Impairment losses	55 629	53 189
Interest received	(835 728)	(667 924)
Dividend income	(23 617)	(14 648)
Interest paid	181 805	136 954
Unvested Long Term Employee Benefit	1 116	855
Net gains on financial assets at fair value through profit or loss	(116 457)	(135 990)
	<b>799 556</b>	<b>906 936</b>

R'000	2014	2013
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
The Scheme's financial assets are summarised by measurement category as follows:		
Financial assets at fair value through profit or loss	9 474 520	7 607 085
Loans and receivables	120 894	100 207
<b>Total financial assets</b>	<b>9 595 414</b>	<b>7 707 292</b>
The details of assets in each of the categories are detailed below.		
<b>Financial assets held at fair value through profit or loss</b>		
Current assets	9 474 520	7 607 085
– Offshore bonds	1 089 600	967 571
– Equities	1 026 342	706 870
– Yield enhanced bonds	996 091	879 120
– Inflation linked bonds	343 737	–
– Money market instruments	6 018 750	5 053 524
	<b>9 474 520</b>	<b>7 607 085</b>
<b>PERSONAL MEDICAL SAVINGS ACCOUNT TRUST LIABILITIES</b>		
(Personal Medical Savings Account trust monies managed by the Scheme on behalf of its members)		
Balance on Personal Medical Savings Accounts at the beginning of the year	2 776 720	2 291 580
Add:		
Personal Medical Savings Accounts contributions received or receivable	8 794 716	7 953 882
For the current year	8 794 716	7 953 882
Interest on Personal Medical Savings Accounts	181 687	136 673
Transfers received from other medical schemes	14 231	17 883
Less:		
Claims paid to or on behalf of members	(8 301 351)	(7 445 345)
Refunds on death or resignation	(215 260)	(177 953)
<b>Balance due to members on Personal Medical Savings Accounts held in trust at the end of the year</b>	<b>3 250 743</b>	<b>2 776 720</b>

It is estimated that claims to be paid out of members' Personal Medical Savings Accounts in respect of claims incurred in 2014 but not recorded will amount to approximately R53 373 459 (2013: R69 876 504).

As at 31 December 2014 the carrying amount of the members' Personal Medical Savings Accounts were deemed to be equal to their fair values, which is the amount payable on demand. The amounts were not discounted, due to the demand feature.

Interest is allocated on these Personal Medical Savings Account balances monthly in accordance with Circular 38 of 2011 and Circular 5 of 2012 issued by the Council for Medical Schemes. The Scheme does not charge interest on negative Personal Medical Savings Account balances.

R'000	2014	2013
<b>PERSONAL MEDICAL SAVINGS ACCOUNT TRUST ASSETS</b>		
(Monies managed by the Scheme on behalf of members)		
<b>PERSONAL MEDICAL SAVINGS ACCOUNT TRUST PORTFOLIO</b>		
(Managed by Momentum Asset Management)		
<b>Balance at beginning of the year</b>	<b>1 309 747</b>	1 129 982
Additional Investments	<b>193 859</b>	112 676
Interest Income	<b>91 645</b>	66 856
Fair value adjustments	<b>(676)</b>	233
<b>Balance at the end of the year</b>	<b>1 594 575</b>	1 309 747
<b>PERSONAL MEDICAL SAVINGS ACCOUNT TRUST PORTFOLIO</b>		
(Managed by Taquanta Asset Managers (Pty) Ltd)		
<b>Balance at beginning of the year</b>	<b>1 309 558</b>	1 130 159
Additional Investments	<b>198 056</b>	116 543
Interest Income	<b>86 818</b>	62 856
Fair value adjustments	<b>(218)</b>	-
<b>Balance at the end of the year</b>	<b>1 594 214</b>	1 309 558
<b>Total Personal Medical Savings Account trust assets</b>	<b>3 188 789</b>	2 619 305
These funds represent members' Personal Medical Savings Account assets managed by the Scheme on behalf of its members. As required by Circular 38 of 2011 and Circular 5 of 2012 issued by the Council for Medical Schemes, these assets have been invested separately from the Scheme's assets. The difference between total Personal Medical Savings Account trust assets and Personal Medical Savings Account trust liabilities arises from timing of cash flows to or from the portfolios.		

## Statutory Scheme Solvency

R'000	2014	2013
Total members' funds per Statement of Financial Position	<b>11 652 804</b>	9 970 118
Less: cumulative unrealised net gain on remeasurement of investments to fair value	<b>(85 833)</b>	(136 666)
Accumulated funds per Regulation 29	<b>11 566 971</b>	9 833 452
Gross contribution income	<b>44 905 716</b>	40 463 702
Solvency margin = Accumulated funds/gross contribution income x 100	<b>25.76%</b>	24.30%

## Operational statistics per benefit plan

07

2014	EXECUTIVE	CLASSIC COMP	CLASSIC CORE	CLASSIC SAVER	CLASSIC PRIORITY	ESSENTIAL COMP	ESSENTIAL CORE	ESSENTIAL SAVER
Number of members at the end of the accounting period	11 678	172 180	53 854	245 478	102 694	22 606	31 763	88 124
Number of beneficiaries at the end of the accounting period	26 315	401 095	115 334	536 024	236 354	46 186	67 204	188 203
Average number of members for the accounting period	11 864	175 101	52 628	240 665	103 324	22 933	29 913	83 751
Average number of beneficiaries for the accounting period	26 791	408 846	113 157	525 154	237 085	47 011	63 581	179 838
Average risk contributions per member per month (R')	5 464	4 400	2 518	2 397	3 007	3 846	2 012	2 044
Average risk contributions per beneficiary per month (R')	2 420	1 884	1 171	1 098	1 310	1 876	947	952
Average net claims incurred per member per month (R')	7 016	4 247	1 705	1 707	2 284	3 079	1 331	1 269
Average net claims incurred per beneficiary per month (R')	3 107	1 819	793	782	995	1 502	626	591
Average administration costs per member per month (R')	272	272	272	272	272	272	272	272
Average administration costs per beneficiary per month (R')	120	116	126	124	118	132	128	126
Average managed care: Management services per member per month (R')	83	83	83	83	83	83	83	83
Average managed care: Management services per beneficiary per month (R')	37	35	39	38	36	40	39	39
Average family size at 31 December	2.26	2.33	2.15	2.18	2.29	2.05	2.13	2.15
Loss ratio (%)	128%	97%	68%	71%	76%	80%	66%	62%
Total non-healthcare expenses as a % of risk contributions	8%	10%	17%	18%	15%	12%	21%	21%
Average age of beneficiaries (years)	40.83	37.97	36.68	30.46	34.35	41.92	33.76	28.84
Pensioner ratio (beneficiaries over 65 years)	17%	13%	11%	5%	8%	20%	8%	4%
Average relevant healthcare expenses per member per month (R')	7 021	4 253	1 704	1 706	2 284	3 085	1 330	1 268
Net surplus/(deficit) for the year (R'000)	(276 655)	(508 405)	279 309	889 218	415 838	101 857	113 230	403 527

2014	ESSENTIAL PRIORITY	COASTAL SAVER	COASTAL CORE	KEYCARE PLUS	KEYCARE CORE	KEYCARE ACCESS	CLASSIC COMP ZERO MSA	TOTAL
Number of members at the end of the accounting period	9 383	173 302	83 786	215 296	14 961	5 302	709	1 231 116
Number of beneficiaries at the end of the accounting period	19 756	396 774	184 882	383 438	23 745	7 910	1 599	2 634 819
Average number of members for the accounting period	9 370	170 680	81 045	207 677	14 145	5 081	685	1 208 862
Average number of beneficiaries for the accounting period	19 671	391 649	179 464	371 553	22 432	7 605	1 531	2 595 368
Average risk contributions per member per month (R')	2 711	2 030	1 948	1 357	1 130	774	4 303	2 489
Average risk contributions per beneficiary per month (R')	1 291	885	880	759	713	517	1 924	1 159
Average net claims incurred per member per month (R')	1 661	1 629	1 474	1 230	651	421	3 921	2 037
Average net claims incurred per beneficiary per month (R')	791	710	666	688	410	281	1 753	949
Average administration costs per member per month (R')	272	272	272	147	78	93	272	247
Average administration costs per beneficiary per month (R')	129	118	123	82	49	62	121	115
Average managed care: Management services per member per month (R')	83	83	83	83	83	83	83	83
Average managed care: Management services per beneficiary per month (R')	39	36	37	46	52	55	37	39
Average family size at 31 December	2.10	2.29	2.21	1.79	1.59	1.50	2.24	2.15
Loss ratio (%)	61%	80%	76%	88%	58%	58%	92%	82%
Total non-healthcare expenses as a % of risk contributions	16%	21%	22%	21%	18%	27%	10%	16%
Average age of beneficiaries (years)	33.66	31.66	35.42	27.52	32.72	28.84	35.72	33.58
Pensioner ratio (beneficiaries over 65 years)	9%	5%	9%	4%	8%	4%	8%	8%
Average relevant healthcare expenses per member per month (R')	1 660	1 629	1 473	1 198	650	445	3 937	2 033
Net surplus/(deficit) for the year (R'000)	75 192	44 779	105 746	(172 747)	55 655	10 431	(167)	1 536 808



## Matters of non-compliance

The Council for Medical Schemes issued Circular 11 of 2006 dealing with issues to be addressed in the audited financial statements of medical schemes. The circular requires that all non-compliance matters noted should be disclosed in the audited financial statements, irrespective of whether the auditor considers it as material or immaterial.

During the year the Scheme did not comply with the following Sections and Regulations of the Act.

### STATUTORY SCHEME SOLVENCY

In terms of Regulation 29 (2) the Scheme must maintain accumulated funds expressed as a percentage of gross annual contributions for the accounting period under review which may be no less than 25%.

The Scheme's accumulated funds expressed as a percentage of gross annual contributions was below the statutory solvency requirement of 25% during the year. However, at 31 December 2014, the Scheme's accumulated funds expressed as a percentage of gross annual contributions was 25.76% (2013: 24.30%) which exceeds the statutory solvency requirement of 25% and the approved phase-in solvency level of 24.30%, as set out in the business plan submitted to the Council for Medical Schemes.

### SUSTAINABILITY OF BENEFIT PLANS

Section 33 (2) of the Act states that each plan is required to be self-supporting in terms of membership and financial performance and be financially sound.

At 31 December 2014 the following plans did not comply with Section 33 (2):

Plans	Net under-writing deficit R'000	Net (deficit)/surplus R'000
Executive	(287 170)	(276 655)
Classic Comprehensive	(663 601)	(508 405)
Classic Comprehensive Zero MSA	(617)	(167)
Coastal Saver	(106 330)	44 779
KeyCare Plus	(310 309)	(172 747)

The Trustees continue to monitor these plans with a view to improving their financial outcomes and will evaluate different strategies to address the deficits in these plans. The different financial positions reflect the different disease burdens in each plan, among many other factors. The Scheme's strategy on the sustainability of plans has to balance short- and long-term financial considerations, with considerations of fairness to both healthy and sick members and with continued affordability of cover for members with different levels of income and different healthcare needs. While the Trustees are committed to complying wherever possible with the applicable legislation, we also focus intensively on the overall stability and financial position of the Scheme as a whole and not only individual benefit plans.

### INVESTMENTS IN EMPLOYER GROUPS

Section 35 (8)(a) of the Act states that a medical scheme shall not invest any of its assets in the business of an employer who participates in the Scheme, or any administrator or any arrangement associated with the Scheme. Due to the large number of the Scheme's employers being listed on the JSE, investments were made in certain of its employers listed on the JSE. The Council for Medical Schemes has granted the Scheme an exemption from this section of the Act.

### INVESTMENTS IN OTHER ASSETS IN TERRITORIES OUTSIDE THE REPUBLIC

In terms of Annexure B to the Regulations of the Act, the Scheme shall not invest in other assets in territories outside the Republic. The Scheme's asset managers make use of foreign derivative instruments for the purpose of risk mitigation and efficient portfolio construction. These derivatives fall under Category 7(b) of Annexure B which prohibits investment in territories outside South Africa and therefore the foreign derivative instruments result in non-compliance. The Council for Medical Schemes has directed the Scheme to dispose of these instruments or to apply for an exemption in terms of Section 8(h) of the Act. The exemption application was submitted on 18 July 2014.

### CONTRIBUTIONS RECEIVED AFTER DUE DATE

Section 26 (7) of the Act states that all subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due. There are instances where the Scheme received contributions after three days of becoming due, however there are no contracts in place agreeing to this practice. The procedures that the Scheme follows regarding these contributions are set out in Note 31 of the Annual Financial Statements.

### BROKER FEES PAID

In terms of Regulation 28(5) of the Act, broker fees shall be paid on a monthly basis upon receipt by the scheme of the relevant monthly contribution in accordance with the maximum amount payable per Regulation 28(2) limited to one broker as required by Regulation 28(8). In some instances brokers were compensated prior to receipt of the relevant monthly contribution, the amount paid was more than the prescribed amount and more than one broker per member was paid. In the instances where brokers were paid above the prescribed amount or more than one broker was paid, the value represents less than 0.007% of the total broker fees paid for the year.

The 2015 Annual General Meeting of the members of the Discovery Health Medical Scheme will be held on 25 June 2015.

## Should you wish to attend, the details are as follows:

**DATE** Thursday, 25 June 2015

**TIME** Registration from 13:00 to 14:00  
Meeting to start at 14:00

**VENUE** Discovery Auditorium,  
155 West Street, Sandton

**IDENTIFICATION:** Members attending the Annual General Meeting are required to bring along identification and their membership card. A South African ID book or card, South African driver's licence or passport will be accepted for identification.

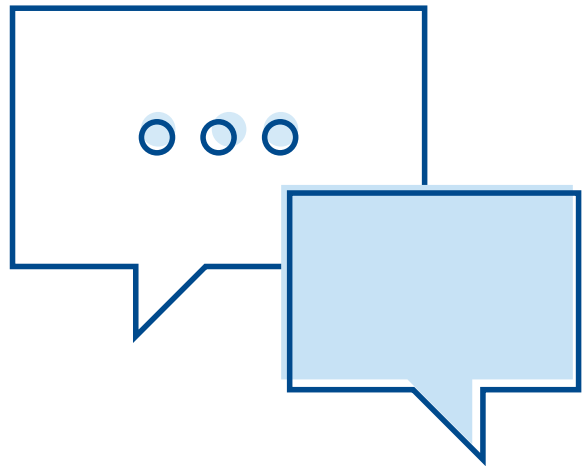
**LIVE STREAMING:** If you are unable to attend the Annual General Meeting you can make use of the live streaming facility that will be available on [www.discovery.co.za](http://www.discovery.co.za) on 25 June 2015 at 14:00.

### AGENDA

1. Welcome and Quorum
2. Minutes of the 2014 Annual General Meeting – for approval
3. 2014 Annual Financial Statements and Trustee Report
4. Governance
  - 4.1 Discovery Health Medical Scheme Trustee Remuneration Policy and Trustee Remuneration
  - 4.2 Appointment of auditors
  - 4.3 Confirmation of the appointment of a Trustee of the Discovery Health Medical Scheme as per Rule 17.3
5. Motions
6. General
7. Closure

[www.discovery.co.za](http://www.discovery.co.za)

DISCOVERY HEALTH MEDICAL SCHEME  
16 FREDMAN DRIVE | SANDTON  
0860 99 88 77



The minutes of the 2014 Annual General Meeting, the summary of the Scheme's Remuneration Policy and the 2015 proposed Trustee Remuneration are available on [www.discovery.co.za](http://www.discovery.co.za).

The 2014 Integrated Annual Report including the full set of Audited Annual Financial Statements and the Report by the Board of Trustees are available on [www.discovery.co.za](http://www.discovery.co.za) as well as at the following customer service centres:

### REGISTERED ADDRESSES



#### Johannesburg

Discovery Health  
16 Fredman Drive  
Sandton



#### Pretoria

Discovery Health  
Corner of Oak and  
Tegel Avenues  
Highveld Techno Park  
Centurion



#### Cape Town

Discovery Health  
Knowledge Park  
Heron Crescent  
Century City



#### Durban

Discovery Health  
41 Imvubupark Place  
Riverhorse Valley  
Business Estate  
Durban



#### Port Elizabeth

Discovery Health  
BPO Building  
Coega IDZ  
Zone 4