

PLATINUM HEALTH MEDICAL SCHEME

REGISTRATION NUMBER: 29/4/2/1583

ANNUAL GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

PLATINUM HEALTH MEDICAL SCHEME

Registration Number: 29/4/2/1583

ANNUAL GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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PLATINUM HEALTH MEDICAL SCHEME

Registration Number: 29/4/2/1583

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2022.

1. MANAGEMENT

1.1 Board of Trustees in office during the year under review

Name

Designation

Employer Trustees

Mr C Smith*	Northam Platinum Mine
Dr C Mbekeni	Anglo American Platinum (term ended 3 June 2022)
Dr K Naidoo	Anglo American Platinum (appointed 5 August 2022)
Mr P Krause	Anglo American Platinum (term ended 3 June 2022)
Mr S Bullock	Anglo American Platinum (appointed 5 August 2022)
Mr W McCarthy	Anglo American Platinum
Mr P Coetzer	Royal Bafokeng Platinum
Mr I Osman	Siyanda Bakgatla Platinum Mine
Mr D McDonald	Modikwa Platinum Mine (term ended 5 December 2022)

Member Trustees

Mr J Hlangweni	Northam Platinum Mine
Mr SS Pheto	Anglo American Platinum Amandelbult (term ended 3 June 2022)
Mr S Mkhonto	Anglo American Platinum Amandelbult (appointed 3 June 2022)
Mr K Kokohlabang	Anglo American Platinum Other (term ended 3 June 2022)
Mr M Malatji	Anglo American Platinum Other (appointed 3 June 2022)
Mr B Molefe	Anglo American Platinum Process Division
Mr P Malamula	Royal Bafokeng Platinum
Mr DM Noko	Siyanda Bakgatla Platinum Mine
Mr P Maimela	Modikwa Platinum Mine

* Chairperson of the Board of Trustees

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

1. **MANAGEMENT (Continued)**

1.2 **Trustee meeting attendance**

The following schedule sets out Board of Trustee meeting attendances.

	<i>Trustee Meetings</i>		<i>Audit and Risk Committee Meetings</i>		<i>Other Committee Meetings</i>	
	A	B	A	B	A	B
Employer Trustees						
Mr C Smith**	5	3	2	3	5	5
Dr C Mbekeni	3	1			2	2
Dr K Naidoo	2	1				
Mr P Krause	3	3			1	1
Mr S Bullock	2	2				
Mr W McCarthy	5	5			2	2
Mr P Coetzer	5	5			7	3
Mr I Osman	5	5	4	3	3	2
Mr D McDonald	5	4				
Member Trustees						
Mr J Hlangweni	5	5			3	3
Mr SS Pheto	3	3			7	5
Mr S Mkhonto	2	2				
Mr K Kokohlabang	3	3				
Mr M Malatji	2	2			2	2
Mr B Molefe	5	5			8	6
Mr P Malamula***	5	5	4	3*	3	3
Mr DM Noko	5	5	4	4*	2	2
Mr P Maimela	5	5			7	0

A - Total possible number of meetings could have attended

B - Actual number of meetings attended

Other Committees consist of the following:

Dispute committee

Investment committee

Remuneration committee

Product committee

Communication committee

Medical Ex-gratia committee

*Attended as observers

**Mr C Smith resigned as a member of the Audit and Risk Committee on 6 July 2022 and attended as an invitee on 17 August 2022.

***Mr P Malamula attended as an observer to the Audit and Risk Committee, prior to being appointed as a member from 6 July 2022.

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

1. MANAGEMENT (Continued)

1.3 Principal Officer

Mr P W Mboniso
Platinum Health Medical Scheme
3 Kgwebo Street
Rustenburg
0299

Private Bag X82081
Rustenburg
0300

1.5 Fund Administrator

Platinum Health Medical Scheme
3 Kgwebo Street
Mabe Park
Rustenburg
0299

Private Bag X82081
Rustenburg
0300

1.7 Investment Managers

Allan Gray Life Limited
1 Silo Square
V & A Waterfront
Cape Town
8001
FSP 6663

1.9 General Information

Domicile:	Registered Office 3 Kgwebo Street Mabe Park Rustenburg 0300
Legal form:	Medical Aid Scheme
Country of incorporation:	South Africa
Nature of the entity:	Non-profit organisation
Principal activities:	Provides medical aid cover to members of the Scheme

1.10 Investment in subsidiary

RA Gilbert Proprietary Limited: 100% (Acquired 1 June 2020)

Directors: Mr C Smith, Mr W McCarthy, Mr P Malamula and Mr B Molefe.
Principal activities: Rental of equipment to the Scheme and acting as procurement agent of pharmaceuticals to the Scheme.

1.4 Registered Office

Platinum Health Medical Scheme
3 Kgwebo Street
Mabe Park
Rustenburg
0299

Private Bag X82081
Rustenburg
0300

1.6 Independent Auditors

Deloitte
5 Magwa Crescent
Waterfall City
Waterfall
Gauteng
2090

Private Bag X6
Gallo Manor
2052

1.8 Independent Investment Advisor

Mr C Buchanan
31 Bantry Square
Bantry Road
Bryanston
PO Box 130664
Bryanston
2021

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

2. DESCRIPTION OF THE MEDICAL SCHEME

2.1 Terms of registration

The Platinum Health Medical Scheme is a non-profit restricted Medical Scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended.

No guarantees have been received from third parties, in favour of Platinum Health Medical Scheme.

2.2 Healthcare options within the Platinum Health Medical Scheme

The Scheme offers three options:

- PlatComprehensive
- PlatCap
- PlatFreedom

2.3 Risk transfer arrangements

The Scheme has entered into fixed fee contracts with a number of specialists in Rustenburg for the rendering of specialist health services to its members.

The services are based on negotiated fixed monthly payments to the specialist and an adjustment of fees is negotiated if there is a substantial increase in members (up more than 10% growth from date of signing the contract). The services rendered to members are raised at Platinum Health Medical Scheme rates and the difference between the services provided at these rates and the fixed amount paid is the risk transfer surplus or deficit.

2.4 Own facilities

The Scheme has entered into capitation fee contracts with a number of participating employer companies for the rendering of work-based health services to the employees and contractors of the employer groups. The services include occupational health care, rehabilitation and functional assessment, curative care and trauma emergency services. These services are rendered at the participating employer's premises at favourable conditions to the Scheme and are accounted for under own facility surplus (Note 21).

The assets used by the previous supplier of these services (Platmed Proprietary Limited) were being rented with an option to purchase on expiry of the rental agreement at a nominal value agreed between both parties. The rental agreement came to an end on 30 November 2021 and the Group has purchased the assets.

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

3. INVESTMENT POLICY OF THE FUND

The trustees have invested the reserves in line with the Regulations of the Medical Schemes Act 131 of 1998, as amended. There has been no change in the policy during the year under review.

The Group's investment objectives are to maximise the return on its investments on a long-term basis at minimal risk. The Group's investments consist of a portfolio which is being managed by Allan Gray in a pooled portfolio. The investment in the Allan Gray Life Domestic Stable Portfolio consists of equity, bills, bonds and cash and deposits.

The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees.

Allan Gray is mandated to comply with all the requirements of the Medical Schemes Act regarding the Allan Gray Life Domestic Stable Portfolio.

4. INSURANCE RISK MANAGEMENT

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

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

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims are greater than expected. A significant portion of health services are rendered through in-house service providers. Since the biometric identification is deployed the risk to the Scheme is significantly reduced.

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. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the annual consolidated financial statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Scheme's cash flows.

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

5. REVIEW OF THE YEAR'S ACTIVITIES

5.1 Operational Statistics

	2022		2021	
	All Options	Plat Comprehensive	All Options	Plat Comprehensive
Number of members at year end	57 995	53 762	54 730	50 368
Average number of members for the year *	56 036	51 621	53 424	48 720
Average administration and managed care costs incurred per beneficiary per month	R105	R105	R102	R103
Average accumulated funds per member at 31 December	R12 632	R10 527	R11 628	R10 390
Dependant ratio as at 31 December	1:0.804	1:0.801	1:0.792	1:0.793
Non-healthcare expenses as a percentage of gross contributions	7%	7%	7%	7%
Number of beneficiaries at year end	104 571	96 836	98 059	90 290
Average number of beneficiaries during the accounting period	100 964	93 051	95 542	87 215
Net contributions per average beneficiary per month *	R1 503	R1 506	R1 409	R1 415
Relevant healthcare expenditure per average beneficiary per month *	R1 377	R1 415	R1 358	R1 399
Non-healthcare expenditure per average beneficiary per month *	R108	R108	R101	R101
Relevant healthcare expenditure as a percentage of gross contributions	92%	94%	96%	99%
Average age of beneficiaries at 31 December	30.64	30.61	30.76	30.68
Return on investments as a percentage of investments at 31 December	5.42%	5.42%	8.62%	8.62%
Pensioners ratio at 31 December	1.44%	1.56%	1.41%	1.54%
	PlatCap	PlatFreedom	PlatCap	PlatFreedom
Number of members at year end	2 660	1 533	2 883	1 479
Average number of members for the year *	2 914	1 501	3 264	1 440
Average administration and managed care costs incurred per beneficiary per month	R102	R95	R89	R99
Average accumulated funds per member at 31 December	R34 672	R49 140	R22 819	R31 948
Dependant ratio as at 31 December	1:0.075	1:2.181	1:0.063	1:2.181
Non-healthcare expenses as a percentage of gross contributions	8%	7%	8%	7%
Number of beneficiaries at year end	2 859	4 876	3 065	4 704
Average number of beneficiaries during the accounting period	3 119	4 795	3 460	4 567
Net contributions per average beneficiary per month *	R1 248	R1 390	R1 182	R1 459
Relevant healthcare expenditure per average beneficiary per month *	R638	R987	R739	R1 036
Non-healthcare expenditure per average beneficiary per month *	R105	R95	R99	R99

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

5. REVIEW OF THE YEAR'S ACTIVITIES (Continued)

5.1 Operational Statistics (Continued)

	2022		2021	
	PlatCap	PlatFreedom	PlatCap	PlatFreedom
Relevant healthcare expenditure as a percentage of gross contributions	51%	71%	63%	71%
Average age of beneficiaries at 31 December	40.04	24.68	40.69	24.22
Return on investments as a percentage of investments at 31 December	5.42%	5.42%	8.62%	8.62%
Pensioners ratio at 31 December	0.06%	0.03%	0.05%	0.04%

* Averages are calculated using the sum of the 12 months' actual monthly membership divided by 12

5.2 Results of operations

The results of the Group are set out in the annual consolidated financial statements, and the trustees believe that no further clarification is required.

5.3 Solvency margin

The solvency margin is calculated on the following basis:

	2022 R	2021 R
Members' funds per the statement of financial position	732 602 949	636 376 292
Less: Cumulative unrealised net gain on re-measurement to fair value of financial instruments **	(12 512)	(3 529 328)
Accumulated funds per Regulation 29	732 590 437	632 846 964
Gross contributions	1 820 644 262	1 610 141 924
Solvency margin (Accumulated funds/Gross annual contribution income x 100)	40%	39%

** Cumulative net gain on re-measurement to fair value is calculated as follows:

Net cumulative unrealised (gain) / loss opening balance	(3 529 328)	31 834 134
Add: Unrealised loss / (gain) on re-measurement to fair value of financial instruments	3 645 009	(37 062 575)
(Profit) / loss of subsidiary	(128 193)	1 699 113
Cumulative net unrealised gain on re-measurement to fair value of investments included in accumulated funds	(12 512)	(3 529 328)

5.4 Members Funds

Movements in the member's funds are set out in the statement of changes in funds. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Group.

5.5 Outstanding Claims

The basis of calculation of the outstanding claims provision is disclosed in Note 12 of the financial statements and this basis is consistent with the prior year. Movements on the outstanding claims provision are set out in Note 12.

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

6. ACTUARIAL VALUATION

An actuarial valuation report accompanies the contribution and benefit levels submitted to the Council for Medical Schemes.

7. SUBSEQUENT EVENTS

There are no significant events after the reporting date which requires disclosure or adjustment to the annual financial statements.

9. TRUSTEES' REMUNERATION AND EXPENSES

Trustees are not remunerated for their services, other than disbursements for attending conferences and training. An attendance and cell phone allowance are paid to those trustees who opted for this allowance. The disbursements and allowances for the year are R696 913 (2021: R816 676).

10. FIDELITY COVER

The Scheme has fidelity cover in place and the premiums are fully paid up and in place until 30 June 2023. The Health Professionals employed by the Scheme, Trustees elected, and Independent Committee Members are covered for any claims with regard to services rendered by them.

11. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 of 1998

The following areas of non-compliance of the Medical Schemes Act 131, 1998 were identified during the year:

(1) Investments in employer and administrator companies

Nature and cause of non-compliance

In terms of the Medical Schemes Act and specifically Section 35 (8)(a) it is a requirement that a medical scheme shall not invest any of its assets in the business of or grant loans to an employer who participates in the Medical Scheme, or any administrator or any arrangement associated with the Medical Scheme. As per the explanatory Note 8 to Annexure B in terms of the Medical Schemes Act, compliance is tested on a look-through principle. Therefore, if the Scheme has invested in a pooled fund/collective investment Scheme which has invested some of their assets in the Scheme's employer group, the Scheme is non-compliant to the requirements of section 35(8).

The following investments are held indirectly in employer companies at year end through the Allan Gray pooled funds:

	2022	2021
	R	R
• Northam Platinum Limited	8 223 487	10 719 616

The following investments are held indirectly in administrator companies at year end through Allan Gray pooled funds:

• MMI Holdings Ltd	–	405 367
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PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

11. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 of 1998 (continued)

Possible impact of non-compliance

The contravention of the Act will have an insignificant impact on the Scheme as the amounts invested in employer companies and administrator companies are immaterial and the Scheme has no influence over the investment decision. The Council for Medical Schemes has been notified and have not imposed any penalties on these contraventions.

Corrective course of action adopted to ensure compliance, including the timing of the corrective action

Compliance with the Medical Scheme Act should always be considered when investments are made by the Scheme or by the portfolio managers. If not in compliance, the Registrar should be informed immediately. The Scheme has no direct or indirect influence over the Allan Gray investment strategies as the pooled funds are invested to optimise return on investment for the entire portfolio. A letter confirming the exemption from investing in employer groups and medical scheme administrators through asset managers where such investment choices are not influenced by the Scheme was received from the Council for Medical Schemes for a period of 3 years, commencing 1 December 2022.

(2) **3 Day rule – contributions not received within 3 days of becoming payable**

Nature and cause of non-compliance

In terms of the Medical Schemes Act and specifically Section 26 (7) contributions should be received in accordance with the rules of the Scheme. The rules indicate that contributions payable should be received no later than the third day of each month. As at 31 December 2022, there were contribution debtors outstanding for more than 30 days to the amount of R1 120 508 (2021: R1 687 200). This amount represents about 1% of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Medical Schemes Act.

Possible impact of non-compliance

The contravention of the Act may result in the Council for Medical Schemes imposing penalties for the non-compliance.

Corrective course of action adopted to ensure compliance, including the timing of the corrective action

The Scheme continually strives to have all membership changes updated before the following contribution run. Due to the nature of the membership movement, and the communication process between the employer's administrators on the one hand and the Scheme on the other, this is not always possible.

12. RELATED PARTY TRANSACTIONS

Refer to related party disclosure in Note 29 of the financial statements.

13. INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE MEDICAL SCHEME

The Medical Scheme holds no direct investments in or loans to participating employers of Medical Scheme members, other than the pooled investment through Allan Gray (refer to 11.1 above).

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

14. AUDIT AND RISK COMMITTEE

An Audit Committee was established in accordance with the provisions of the Medical Schemes Act 131 of 1998. The Board of Trustees reviewed the remit of the risk committee and agreed to incorporate it into the audit committee, changing it to an Audit and Risk committee from 12 April 2022. The Board of Trustees mandates the Committee by means of written terms of reference as to its membership, authority, and duties. The Committee consists of five members of which three are independent members.

The majority of the members, including the chairperson, are independent of the Scheme. The Committee met on 1 April 2022, 5 July 2022, 17 August 2022, and 3 November 2022.

The Chief Executive Officer, Principal Officer, Chief Financial Officer of the Medical Scheme and the internal and external auditors attend the Committee meetings and have unrestricted access to the chairperson of the Committee.

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

The principal activities of the Audit and Risk Committee which are formulated in the Audit and Risk Committee Charter are:

- Review of the effectiveness of internal controls and the financial functions
- Monitoring of governance and risk management processes
- Review of effectiveness of internal and external audits
- Recommendation of appointment of external auditors and fees
- Recommendation of appointment of internal auditors and fees
- Evaluation of external and internal audit reports
- Recommending approval of Financial Statements

The Audit Committee comprises of the following:

	Meetings Attended
Mr I Catt (Independent Chairperson)	4 of 4
Mrs V Voogt (Independent) (Term ended 5 December 2022)	4 of 4
Mr D Cathrall (Independent)	4 of 4
Mr C Smith* (Trustee)	3 of 4
Mr I Osman (Trustee)	3 of 4
Mr P Malamula ** (Trustee)	2 of 4

*Mr C Smith resigned as a member of the Audit and Risk Committee on 6 July 2022 and attended as an invitee on 17 August 2022.

**Mr P Malamula attended as an observer to the Audit and Risk Committee, prior to being appointed as a member from 6 July 2022.

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

15. INVESTMENT COMMITTEE

An Investment Committee was established and is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. This Committee consists of four members of which two must be members of the Board of Trustees. One of the members is an independent advisor.

The Committee met on 1 April 2022, 17 August 2022 and 3 November 2022.

The Chief Executive Officer, the Principal Officer and the Chief Financial Officer of the Medical Scheme attend the Investment Committee meetings and have unrestricted access to the chairperson of the committee.

The primary responsibility of the Investment Committee is to assist the Board of Trustees in carrying out its duties relating to the investment policy of the Group.

The mandate of the committee is to ensure that:

- the Group remains liquid;
- investments are placed at minimum risk and at the best possible rate of return;
- investments made are in compliance with the regulations of the Act; and
- a risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified.

The Investment Committee comprises of the following:

		Meetings Attended
Mr I Osman	(Chairperson Trustee)	2 of 3
Mr C Buchanan	(Independent Advisor)	3 of 3
Mr C Smith	(Trustee)	3 of 3
Mr J Hlangweni	(Trustee)	3 of 3

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

16. REMUNERATION COMMITTEE

A Remuneration Committee was established and is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Remuneration Committee should consist of at least three members of which at least two must be members of the Board of Trustees based on the Rules of the Scheme and should have comprehensive Human Resources or Finance background. Proficiency in remuneration and benefits will be a pre-requisite.

The Committee met on 28 February 2022 and 8 November 2022.

The Chief Executive Officer and the Human Resources Manager attend the Remuneration Committee meetings.

The Committee's terms of reference, and as such its primary responsibility, is to advise the Board of Trustees on remuneration guidelines, policies and strategies with respect to remuneration, incentives and other related benefits.

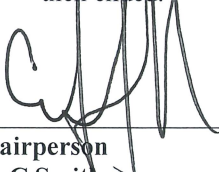
The Remuneration Committee comprises of the following:

		Meetings Attended
Mr P Krause	(Chairperson Trustee) (term ended 3 June 2022)	1 of 2
Mr D Noko	(Trustee) (Appointed 19 September 2022)	1 of 2
Mr C Smith	(Trustee)	2 of 2
Dr M Bussin	(Independent) (Appointed 19 September 2022)	1 of 2
Dr L Kona	(Independent) (Appointed 19 September 2022)	1 of 2
Mr K Mothini	(Independent) (Appointed 19 September 2022)	1 of 2

17. GOING CONCERN

The Board of Trustees are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the annual consolidated financial statements.

The Board of Trustees are of the opinion that the annual consolidated financial statements fairly present the financial position of the Group as at 31 December 2022, and the results of its operations and cash flow information for the year then ended.



Chairperson
Mr C Smith

26 April 2023
Johannesburg

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation, integrity and fair presentation of the annual consolidated financial statements of the Group. The annual consolidated financial statements presented on pages 20 to 87 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Schemes Act 131 of 1998, as amended, of South Africa, and include amounts based on judgement and estimates made by management.

The Trustees consider that in preparing the annual consolidated 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 consolidated financial statements fairly presents the results of the operations for the year and the financial position of the Group at year-end. The Trustees also prepared the other information included in the report of the Board of Trustees and are responsible for both its accuracy and its consistency with the annual consolidated financial statements.

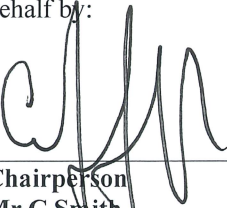
The Trustees are responsible for ensuring that accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Group which enables the Trustees to ensure that the annual consolidated financial statements comply with the relevant legislation.

The Platinum Health Medical Scheme Group operated 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 the assets are safeguarded and the risks facing the business are being controlled.

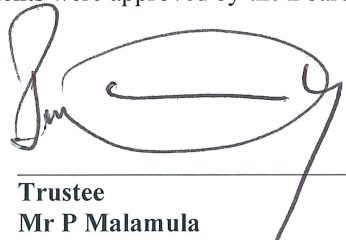
The going concern basis has been adopted in preparing the annual consolidated financial statements. The Trustees have no reason to believe that the Group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual consolidated financial statements support the viability of the Group.

The independent auditor is responsible for reporting on the fair presentation of the financial statements.

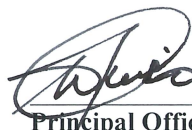
The annual consolidated financial statements were approved by the Board of Trustees on 26 April 2023 and are signed on its behalf by:



Chairperson
Mr C Smith



Trustee
Mr P Malamula



Principal Officer
Mr P W Mboniso

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The Platinum Health Medical Scheme Group is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The member elected Trustees are proposed and elected by the members of the Scheme and the Employer appointed trustees are appointed by the employer groups.

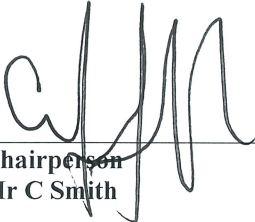
BOARD OF TRUSTEES

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

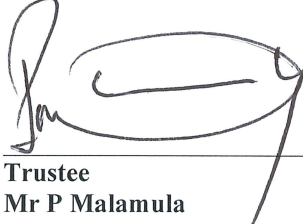
INTERNAL CONTROLS

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

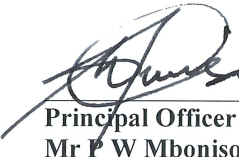
No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in functioning of the key internal controls and systems during the year under review.



Chairperson
Mr C Smith



Trustee
Mr P Malamula



Principal Officer
Mr P W Mboniso

26 April 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLATINUM HEALTH MEDICAL SCHEME

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Platinum Health Medical Scheme and its subsidiary ("the Group") set out on pages 20 to 87 which comprise the consolidated statement of financial position as at 31 December 2022, and statement of profit or loss and other comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Platinum Health Medical Scheme as at 31 December 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Medical Schemes Act of South Africa No 131 of 1998.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated financial statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of consolidated financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



National Executive: *R Redfearn Chief Executive Officer *GM Berry Chief Operating Officer JW Eshun Managing Director Business LN Mahluza Chief People Officer *N Sing Chief Risk Officer AP Theophanides Chief Sustainability Officer *NA le Riche Chief Growth Officer *ML Tshabalala Audit & Assurance AM Babu Consulting TA Odukoya Financial Advisory G Rammego Risk Advisory DI Kubeka Tax & Legal DP Ndlovu Chair of the Board

A full list of partners and directors is available on request * Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Key Audit Matter	How the matter was addressed
<p>Outstanding claims provision:</p> <p>As disclosed in Note 12, the carrying amount of the Outstanding Claims Provision (“IBNR”) at year end was R54.0 million (2021: R67.92 million). The determination of the IBNR requires the Scheme’s Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date and related external claims handling expenses.</p> <p>The IBNR calculation is based on several factors which include:</p> <ul style="list-style-type: none"> ▪ 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, ▪ Variations in the nature and average cost per claim, and ▪ Other factors such as expectations of future events that are believed to be reasonable to be considered in the valuation of the IBNR at year end. <p>Certain of the above-mentioned factors require judgement and assumptions to be made by the Scheme’s Trustees and therefore accordingly, for the purposes of our audit, we identified the valuation of the IBNR as representing a key audit matter.</p>	<p>In evaluating the valuation of the IBNR, we audited the calculations approved by the Board of Trustees and performed various procedures which included:</p> <ul style="list-style-type: none"> ▪ Considering the design and implementation of the Scheme’s controls relating to the preparation of the IBNR calculation; ▪ Testing the integrity of the information used in the calculation of the IBNR by performing substantive procedures to test the accuracy and completeness of data used in the valuation of IBNR; ▪ With the assistance of our internal actuarial specialists, assessed the appropriateness of the methodology and assumptions used in determining the IBNR, performed an independent calculation of the estimate of the provision using historical claims data and trends, and using this estimate as a basis of assessing the reasonableness of the Board of Trustees’ estimate of the provision; ▪ Testing a sample of claims paid in the current year against the related IBNR reserve held to assess the reasonability of assumptions used to calculate the IBNR estimate; ▪ Performing tests of detail on the current year IBNR including testing actual claims paid subsequent to year end to determine if these have been appropriately reserved for at balance sheet date; and ▪ Assessing the presentation and disclosure in respect of the IBNR and considered the adequacy of these disclosures. <p>Considering the validity and completeness of any out of model adjustments made to adjust the IBNR for matters not included in the historical data set and therefore not incorporated in the actuarially determined reserve.</p>

Other Information

The Scheme's Trustees are responsible for the other information. The other information comprises the Statement of responsibility of the Board of Trustees and the Statement of Corporate Governance by the Board of Trustees, and the Report of the Board of Trustees as required by the Medical Schemes Act No 131 of 1998, which we obtained prior to the date of this report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the consolidated financial statements, in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act No 131 of 1998 of South Africa, and for such internal control as the Trustees determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Scheme's Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's Trustees.
- Conclude on the appropriateness of the Scheme's Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Scheme's Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Scheme's Trustees, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of Act No 131 of 1998 South Africa

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 the audit.

Report on Other Legal and Regulatory Requirements

In terms of CMS Circular 38 of 2018 Audit tenure, we report that Deloitte & Touche has been the auditor of Platinum Health Medical Scheme for 1 year.

The engagement partner, Rachel Nkgodi, has been responsible for Platinum Health Medical Scheme audit for 1 year.

DocuSigned by:

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Deloitte & Touche
Registered Auditor
Per: Rachel Nkgodi
Partner

2 June 2023

5 Magwa Crescent
Waterfall City
2090

PLATINUM HEALTH MEDICAL SCHEME

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	<i>Note</i>	2022 R	2021 R
Assets			
Non-current assets		493 630 807	470 917 090
Property, plant and equipment	2	56 660 193	63 308 032
Deferred taxation	5	–	–
Investments held at fair value through profit or loss	7	436 970 614	407 609 058
Current assets		587 784 599	503 733 126
Pharmaceutical inventories	4	5 725 719	8 527 874
Trade and other receivables	6	55 718 077	60 866 360
Taxation receivable	9	–	122 727
Cash and cash equivalents	8	526 340 803	434 216 165
Total assets		1 081 415 406	974 650 216
Funds and liabilities			
Members' Funds			
Accumulated funds		732 602 947	636 376 292
Non-current liabilities			
Long-term liabilities	10	70 048 325	74 942 662
Current liabilities		278 764 134	263 331 262
Trade and other payables	11	207 669 808	178 566 658
Outstanding claims provision	12	54 000 000	67 920 000
Leave accrual	13	17 094 326	16 844 604
Total funds and liabilities		1 081 415 406	974 650 216

PLATINUM HEALTH MEDICAL SCHEME

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<i>Note</i>	2022 R	2021 R
Gross contribution income	14	1 820 644 262	1 610 141 924
Relevant healthcare expenditure		(1 668 862 682)	(1 552 003 781)
Net claims incurred	15	(1 665 310 852)	(1 549 127 980)
– Claims incurred		(1 666 022 136)	(1 549 467 967)
– Third party claim recoveries		711 284	339 987
Net loss on risk transfer arrangements	16	(3 551 830)	(2 875 801)
– Risk transfer arrangement fees/premiums paid		(13 551 250)	(11 461 464)
– Recoveries from risk transfer arrangements		9 999 420	8 585 663
Gross healthcare result		151 781 580	58 138 143
Managed care: management services	17	(17 767 908)	(14 364 252)
Administration expenses	19	(108 878 404)	(96 344 008)
Net impairment losses on healthcare receivables	18	(1 371 179)	(892 438)
Net healthcare result		23 764 089	(53 462 555)
Other income		903 768 991	872 186 041
Investment income	20	55 842 588	35 541 151
Income from use of own facilities	21	845 090 407	799 200 900
Fair value adjustment of investments held at fair value through profit or loss	7	–	37 062 575
Net impairment loss recovery		581 676	131 448
Sundry revenue		2 171 820	109 563
Profit on sale of assets		82 500	140 404
Other expenditure		(830 379 781)	(766 752 568)
Cost incurred in provision of own facilities	21	(820 821 768)	(762 459 310)
Fair value adjustment of investments held at fair value through profit or loss	7	(3 645 009)	–
Finance costs	22	(3 231 672)	(1 879 609)
Sundry expenses		(1 208)	(576)
Asset management fees	24	(2 680 124)	(2 413 073)
Net surplus for the year		97 153 299	51 970 918
Taxation	25	–	(1 938 302)
Other comprehensive income		–	–
Total comprehensive income for the year		97 153 299	50 032 616

PLATINUM HEALTH MEDICAL SCHEME

**CONSOLIDATED STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<i>Note</i>	Members' Funds R
Balance at 31 December 2020		586 343 676
Total comprehensive income for the year		<u>50 032 616</u>
Balance at 31 December 2021		636 376 292
Total comprehensive income for the year		<u>97 153 299</u>
Balance at 31 December 2022		733 529 591
Prior year adjustment of retained earnings	27	<u>(926 644)</u>
Restated balance at 31 December 2022		<u>732 602 947</u>

PLATINUM HEALTH MEDICAL SCHEME

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<i>Note</i>	2022 R	2021 R
Net cash inflow from operating activities		111 401 916	47 802 301
Cash generated by operations	26	111 279 189	47 802 301
Cash received from members		1 820 163 695	1 606 992 559
Cash paid to suppliers and employees		(1 708 884 506)	(1 559 190 258)
Net taxation refunded	9	122 727	–
Net cash (outflow) / inflow from investing activities		(5 345 924)	(5 062 136)
Purchase of property, plant and equipment	2	(5 428 424)	(5 202 540)
Proceeds on disposal of assets		82 500	140 404
Net investment deposit / withdrawal		–	–
Interest received on investments	20	26 504 287	18 754 366
Dividends received on investments	20	8 582 949	5 387 897
Proceeds on disposal of investments to pay management fees	7	2 680 124	2 413 073
Asset management fee paid	7	(2 680 124)	(2 413 073)
Costs incurred in maintaining the investment	7	(32 187)	(29 059)
Net investment income capitalised	7	(35 055 049)	(24 113 204)
Net cash outflow from financing activities		(13 931 354)	(13 045 036)
Payment of lease liability	10.1	(5 914 208)	(4 530 477)
Interest paid on lease liability	10.1	(8 017 146)	(8 514 559)
Net increase in cash and cash equivalents		92 124 638	29 695 129
Cash and cash equivalents at beginning of year	8	434 216 165	404 521 035
Cash and cash equivalents at end of year	8	526 340 803	434 216 164

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The annual consolidated financial statements set out on pages 18 to 79 is prepared in accordance with and comply with International Financial Reporting Standards (IFRS), Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Medical Schemes Act, 1998 as amended. The annual consolidated financial statements are prepared on the historical cost basis unless specifically stated otherwise in the accounting policies. The annual consolidated financial statements are presented in Rands, the functional currency of the Group, and all values are rounded to the nearest Rand. The annual consolidated financial statements are prepared on a going concern basis.

1.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year. There have been no significant changes to accounting policies.

The Group did not adopt any standards or interpretations for the Financial Reporting period 2022.

Standards or Interpretations issued but not yet effective.

At the date of authorisation of these annual consolidated financial statements, the following relevant standards were in issue but not yet effective. The Group has elected not to early adopt any of these standards.

Standard/Interpretation	Pronouncement	Effective date
	Key requirements	
IFRS 17 Insurance Contracts	<p>The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.</p> <p>In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:</p> <ul style="list-style-type: none">• A specific adaptation for contracts with direct participation features (the variable fee approach)• A simplified approach (the premium allocation approach) mainly for short-duration contracts <p>The main features of the new accounting model for insurance contracts are, as follows:</p> <ul style="list-style-type: none">• The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)• A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in surplus or deficit over the service period (i.e., coverage period)• Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in surplus or deficit over the remaining contractual service period.• The effect of changes in discount rates will be reported in either surplus or deficit or other comprehensive income, determined by an accounting policy choice	1 January 2023

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

1. ACCOUNTING POLICIES (Continued)

1.2 Changes in accounting policies (Continued)

Standard/Interpretation	Pronouncement	Effective date
IFRS 17 Insurance Contracts	<ul style="list-style-type: none"> • The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period • Amounts that the policyholder will always receive, regardless of whether an insured event happens (non- distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet • Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense • Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts <p>Impact Platinum Health Medical Scheme Group is still in the process of assessing the impact of IFRS 17. The assessment entails how Contractual Service Margin (CSM) will be applied for IFRS 17 purposes and the Board will apply a full retrospective application for estimating CSM. However, at the time of implementation if it is impractical to apply a full retrospective application, Platinum Health Medical Scheme Group may have to adopt a modified retrospective approach of which the objective of this approach would be to achieve the closest outcome to the full retrospective application using reasonable and supportable assumptions. The key feature of the modified retrospective approach would be that there is no requirement to divide the groups of contracts into annual cohorts unless there is supportable information to justify the division. The fair value approach would be the second alternative if the full retrospective approach is impractical to apply, where the CSM is determined as the difference between the fair value of a group of insurance contracts (measured in accordance with IFRS 13) and its fulfilment cash flows at the transition date (which are determined in accordance with IFRS 17). There is no requirement to divide the groups of contracts into annual cohorts.</p>	1 January 2023
Amendments to IAS 8: Definition of Accounting estimates	<p>In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.</p> <p>The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.</p> <p>Impact Platinum Health Medical Scheme will assess the impact of IAS1 amendments to the Schemes accounting policy disclosures when effective.</p>	1 January 2023

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

1. **ACCOUNTING POLICIES (Continued)**

1.2 **Changes in accounting policies (Continued)**

Standard/Interpretation	Pronouncement	Effective date
	Key requirements	
Amendments to IAS1 and IFRS Practise Statement 2: Disclosure of Accounting Policies	<p>In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.</p> <p>The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.</p> <p>Impact Platinum Health Medical Scheme will assess the impact of IAS1 amendments on the Schemes accounting policy disclosures when effective</p>	1 January 2023

The Group intends to adopt all Standards and Interpretations issued not yet effective on the effective date.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.2 Changes in accounting policies (Continued)

Impact of standards effective for annual periods beginning on or after 1 January 2023 and adopted by the Group

Standard	Amendment	Details of amendment	Initial implementation assessment	Transitional impact
IFRS 17 Insurance Contracts	Level of aggregation of insurance contracts	<p>The standard requires an entity to identify portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. Contracts in different product lines would not be expected to have similar risks and hence would be expected to be in different portfolios.</p> <p>Portfolios of insurance contracts issued are required to be divided into a minimum of:</p> <ul style="list-style-type: none"> - A group of contracts that are onerous at initial recognition; - A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and - A group of remaining contracts in the portfolio. <p>If, applying the above requirements, contracts within a portfolio would fall into different groups only because law or regulation specifically constrains the entity's practical ability to set a different price or level of benefits for policyholders with different characteristics, the Scheme will include those contracts in the same group. The Scheme shall not include contracts issued more than one year apart in the same group.</p>	<p>The Scheme has performed an assessment with reference to IFRS17 requirements and deems it appropriate that all three of its benefit options are managed together as a single portfolio of contracts that display similar risks. Therefore, contracts held by the Scheme across all the members are considered to constitute a single portfolio in their entirety. The Scheme will further apply the exemption, following the Premium Allocation Approach (PAA) to include all contracts within the same group given that the Medical Schemes Act prevents the Scheme from setting different prices for its members.</p>	<p>The standard permits the use of a simplified approach, the Premium Allocation Approach (PAA), for the measurement of the liability for remaining coverage if:</p> <ul style="list-style-type: none"> • it provides a measurement that is not materially different from the general model; or • if the coverage period is one year or less.
	Initial recognition	<p>IFRS 17 – Insurance Contracts, published in May 2017, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 will be applied for annual periods starting from January 1, 2023, with earlier application permitted. This is the date that the Scheme will first apply IFRS 17.</p> <p>The main requirements of IFRS 17 in respect of the recognition and measurement of insurance contracts will be based on the general model (or “building block approach”) that includes:</p> <ul style="list-style-type: none"> • the fulfilment cash flows (FCF), which comprise the best estimates of future cash flows, an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows, and a risk adjustment for non-financial risk. • the Contractual Service Margin (CSM) which represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. <p>At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is remeasured to be the sum of the liability for remaining coverage (LRC), which comprises the FCF related to future services and the CSM of the</p>	<p>According to Paragraph 25 of IFRS 17, a medical scheme recognises a group of insurance contracts from the earliest of either: - the beginning of the coverage period; of the group of contracts; - the date when the first contribution payment is due from a member; and - for a group of onerous contracts, when the group becomes onerous. A group of insurance contracts is considered onerous at initial recognition if the risk adjusted fulfilment cash flows underlying that group of contracts, at best estimate, is positive. If a group of insurance contracts are budgeted to be onerous under the requirements of IFRS 17, the losses on onerous groups of contracts are recognised immediately when the budget is approved. The Scheme's</p>	<p>The Scheme has not yet applied IFRS 17 and has commenced the implementation process of IFRS 17 with analysis, preparation and implementation related to the establishment of the transition statement of financial position on 1 January 2022 as well as for reporting as at 31 December 2023.</p>

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.2 Changes in accounting policies (Continued)

Impact of standards effective for annual periods beginning on or after 1 January 2023 and adopted by the Group

Standard	Amendment	Details of amendment	Initial implementation assessment	Transitional impact
		group at that date; and the liability for incurred claims (LIC), which is measured as the FCF related to past services allocated to the group at that date.	financial budget is approved and submitted to the Council of Medical Schemes at the end of September each year. Therefore, from as early as the end of September each year when a group of contacts becomes onerous, the group may be recognised at initial recognition. Alternatively, the scheme may choose to recognise a group of onerous contracts at the end of the year when there is more information available on member movements and the option selection of members and its effect on the budget. For groups of contracts that are not expected to be onerous, the date of initial recognition will be the earliest of the beginning of coverage or when the first contribution is paid. This will typically be 1 January.	
	Contract boundary	<p><i>Paragraph 34 of IFRS 17 states the following regarding the contract boundary:</i></p> <p><i>“Cash flows are within the contract boundary of an insurance contract if they arise from the substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with insurance contract services (see paragraphs B61-B71).</i></p> <p><i>A substantive obligation to provide insurance contract services ends when:</i></p> <p><i>(a) the entity has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or</i></p> <p><i>(b) both of the following criteria are satisfied:</i></p> <p><i>(i) the entity has the practical ability to reassess the risks of the portfolio of contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and</i></p> <p><i>(ii) the pricing of premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.”</i></p>	Platinum Health reprices its medical aid contracts on an annual basis, from January to December. More frequent repricing is theoretically possible, but unlikely (or at least cumbersome) in practice. Platinum Health’s insurance contracts invoke the application of sub-paragraph (b)(i). This is because of the Community Rating principle enshrined in the Medical Schemes Act, such that repricing does not take place at the level of individual members (as in sub-paragraph (a)), but rather at the level of the portfolio. IFRS 17.34 (b)(ii) requires that, in addition to being practically able to reprice at the level of the portfolio, that the pricing of contributions and the changes to benefit design does not look beyond the one-year time horizon.	The measurement of a group of insurance contracts includes all of the fulfilment cash flows of that group that fall within the boundary of each contract. Platinum Health’s obligation ends when it is able to reprice the portfolio of contracts. This is always twelve months after contract inception thus the contract boundary is 12 months. Therefore, by applying IFRS 17.34(b), the contract boundary is assessed to be twelve months. Furthermore, Platinum Health’s financial reporting period has a duration of 12 months from January to December as mandated by the Medical Schemes Act. Therefore, the coverage period and the financial reporting period align.
	Measurement model	IFRS 17 provides three measurement approaches for modelling insurance contracts. These models provide the basis for calculating the components of	The requirement under the PAA is that the coverage period of each insurance	The PAA approach allocates contribution income cashflows and

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.2 Changes in accounting policies (Continued)

Impact of standards effective for annual periods beginning on or after 1 January 2023 and adopted by the Group

Standard	Amendment	Details of amendment	Initial implementation assessment	Transitional impact
		<p>the insurance contract liability (the liability of incurred claims) and the liability for remaining coverage (incurred but not reported claims) in the statement of financial position. These include:</p> <ul style="list-style-type: none"> • The General Measurement Model (GMM); • The Variable Fee Approach (VFA); and • The Premium Allocation Approach (PAA) <p>The Premium Allocation Approach (PAA) is a simplified measurement approach for insurance contracts with coverage periods of one year or less, like contracts within medical schemes. This approach is permitted for the liability for remaining coverage if it provides a measurement that does not differ materially from the General Measurement Model or if the coverage period is one year or less. Unlike with other approaches, the PAA exempts entities from calculating and explicitly accounting for the contractual service margin (CSM). IFRS 17.34 states that a substantive obligation to provide insurance contract services ends when:</p> <p>a) <i>The entity has the practical ability to reassess the risks of the particular (member) and, as a result, can set a price or level of benefits that fully reflects those risks; or</i></p> <p>b) <i>Both of the following criteria are satisfied:</i></p> <p>i) <i>the entity has the practical ability to reassess the risks of the portfolio of contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects those risks;</i></p> <p>ii) <i>and the pricing of (contributions) up to the date when the risks are reassessed doesn't take into account the risks that relate to periods after the reassessment date.</i></p>	<p>contract in the group is one year or less. Given that medical schemes price contributions every one year, the PAA is an appropriate model for Platinum Health. Platinum Health will also meet the requirements to implement the PAA for calculating the liability for remaining coverage of a group of insurance contracts on condition that the liability is not significantly different from the measurement of the liability under the GMM or that the coverage.</p>	<p>the liability of claims for each insurance contract and presents these measurements separately in the statement of financial position. The liability measurement consists of the liability of remaining coverage (which includes the fulfilment cashflows related to expected future outgo of claims) and the liability of claims incurred (which includes the fulfilment cashflows relating to claims that have occurred). Under the PAA, the measurement of the liability of remaining coverage is calculated as the contribution income received less any insurance acquisition cash flows paid. Insurance acquisition cashflows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows are not applicable to Platinum Health as the scheme does not pay broker commission.</p>
	Liability for remaining coverage (LRC)	<p>The LRC is defined as an entity's obligation to investigate and pay claims under existing insurance contracts for insured events that relates to the unexpired portion of the coverage period. Using the premium allocation approach, the Scheme will measure the liability for remaining coverage as follows:</p> <p>(a) on initial recognition, the carrying amount of the liability is:</p> <p>(i) the premiums, if any, received at initial recognition;</p> <p>(b) at the end of each subsequent reporting period, the carrying amount of the liability is the carrying amount at the start of the reporting period:</p>	<p>Measurement of Liability for remaining coverage : Initial and subsequent</p> <p>The Scheme has opted to adopt the PAA (as discussed above). Therefore, a simplified approach to the measurement of the LRC will be applied.</p> <p>Significant financing component: LRC</p>	

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.2 Changes in accounting policies (Continued)

Impact of standards effective for annual periods beginning on or after 1 January 2023 and adopted by the Group

Standard	Amendment	Details of amendment	Initial implementation assessment	Transitional impact
		<p>(i) plus the premiums received in the period;</p> <p>(ii) plus any adjustment to a financing component,</p> <p>(iii) minus the amount recognised as insurance revenue for coverage provided in that period ; and</p> <p>(iv) minus any investment component paid or transferred to the liability for incurred claims.</p> <p>If insurance contracts in the group have a significant financing component, an entity shall adjust the carrying amount of the LRC to reflect the time value of money and the effect of financial risk using the discount rates as determined on initial recognition. The entity is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the entity expects that the time between providing each part of the coverage and the related premium due date is no more than a year.</p> <p>In applying the PAA, the Scheme may choose to recognise any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group at initial recognition is no more than one year.</p>	<p>The Scheme will not discount the LRC since the remaining coverage period for which the liability is raised is one month (therefore less than a year) since members pay contribution on a monthly basis</p> <p><i>Insurance acquisition cash flows</i></p> <p>In applying the premium allocation approach, the Scheme has elected to recognise any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group at initial recognition is no more than one year.</p>	
IFRS 17 Insurance Contracts	Liability for incurred claims (LIC)	<p>The LIC is defined as an entity's obligation to:</p> <p>(a) investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported (IBNR), and other incurred insurance expenses; and</p> <p>(b) pay amounts that are not included in (a) that relate to insurance contract services that have already been provided or any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the LRC.</p> <p>In applying the PAA, an entity shall measure the LIC for the group of insurance contracts at fulfilment cash flows relating to incurred claims, within the boundary of each contract in the group, applying the GMM. The entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.</p>	<p><i>Measurement of Liability for incurred claims</i> As the scheme is applying the PAA, it has to measure the LIC for the group of insurance contracts at the fulfilment cash flows relating to incurred claims, applying the general measurement model. For insurance contracts issued at each of the subsequent reporting dates the LIC will consist of:</p> <p>(a). Best estimate of fulfilment cash and</p> <p>(b) Risk adjustment</p> <p>The Scheme will estimate which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Scheme will use information about past events, current conditions and forecasts of future conditions. The uncertainty in the insurance contracts lies in the number,</p>	<p>Contracts issued by medical schemes are insurance contracts as defined in IFRS 17 Insurance Contracts (IFRS 17) and fall within the scope of this standard. As a result, medical schemes are required to apply IFRS 17 retrospectively for their financial periods commencing on 01 January 2023.</p> <p>Before this date, medical schemes are applying IFRS 4 Insurance Contracts (IFRS 4) when preparing annual financial statements. In line with the above, the financial statements for the year ended 31 December 2022 have been prepared in accordance with IFRS 4 Insurance Contracts. The Scheme will apply IFRS 17 for the year</p>

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.2 Changes in accounting policies (Continued)

Impact of standards effective for annual periods beginning on or after 1 January 2023 and adopted by the Group

Standard	Amendment	Details of amendment	Initial implementation assessment	Transitional impact
			<p>severity and timing of claims. Assumptions used to develop estimates about future cash flows will be reassessed at each reporting date and adjusted where required. Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities. The generally accepted actuarial methodology used in assessing the estimated claims outcome of insurance liabilities is the chain ladder method. The chain ladder method involves an analysis of historical claims development factors and the selection of estimated development factors based on historical patterns. Run-off triangles will be used in situations where it takes time after the treatment date for the full extent of the claims to become known. It is assumed that payments will emerge in a similar way in each service month. the proportional increase in known cumulative payments from one development month to the next can then be used to calculate payments for future development months. The following will be taken into account when estimating the LIC:</p> <ul style="list-style-type: none"> - The level of homogeneity of the data; - Changes in patterns of claims and claims processing; - Changes in the composition of the Scheme ie. distribution of members and their beneficiaries across various options; - Changes in benefit limits; and - Changes in prescribed minimum benefits. <p>Risk adjustment - the risk adjustment for non-financial risk will be applied to the present value of the estimated future cash flows and will</p>	<p>commencing on 01 January 2023.</p> <p>The standard will be applied retrospectively by adopting the full retrospective approach.</p>

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.2 Changes in accounting policies (Continued)

Impact of standards effective for annual periods beginning on or after 1 January 2023 and adopted by the Group

Standard	Amendment	Details of amendment	Initial implementation assessment	Transitional impact
			<p>reflect the compensation the Scheme requires for bearing the uncertainty about the amount and timing of cash flows from non-financial risk as the Scheme fulfils contracts. The risk adjustment will be calculated at portfolio level as the Scheme does not have groups due to regulations that constrain the Scheme's ability to set a price for different members. The confidence level method will be used to derive the overall risk adjustment for non-financial risk. In the confidence level method, the risk adjustment will be determined by applying a confidence level to the run-off triangles used to calculate the LIC.</p> <p>Significant financing component: LIC</p> <p>Discounting of LIC is not required as claims are typically received and paid within a year from the date the claims were incurred.</p>	
IFRS 17 Insurance Contracts	Insurance Service result	<p>A Scheme will present in profit or loss insurance revenue arising from the groups of insurance contracts issued which shall depict the provision of coverage and other services arising from the group of insurance contracts at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services.</p> <p>A Scheme will present profit or loss insurance service expenses arising from a group of insurance contracts issued, comprising incurred claims (excluding repayments of investment components), and other incurred insurance services.</p> <p>A Scheme will separately disclose a reconciliation in insurance expenses, showing separately, if applicable:</p> <ul style="list-style-type: none"> (i) Incurred claims (excluding investment components) and other incurred insurance service expenses; (ii) amortisation of insurance acquisition cash flows; (iii) changes that relate to past service, i.e., changes in fulfilment cashflows 	<p>Insurance Revenue</p> <p>As the Scheme will the premium allocation approach, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the effect of financial risk, if applicable) allocated to the period.</p> <p>Insurance service expense</p> <p>The Scheme will present in profit or loss insurance service expenses arising from a group of insurance contracts issued, comprising incurred claims (excluding repayments of investment components), other incurred insurance service expenses, for example, attributable fixed and variable</p>	

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.2 Changes in accounting policies (Continued)

Impact of standards effective for annual periods beginning on or after 1 January 2023 and adopted by the Group

Standard	Amendment	Details of amendment	Initial implementation assessment	Transitional impact
		<p>relating to the liability for incurred claims; and</p> <p>(iv) changes that relate to future service, i.e., losses on onerous groups of contracts and reversals of such losses.</p> <p>Reinsurance contracts - income and expenses</p> <p>A Scheme may present the income or expenses from a group of reinsurance contracts held, other than finance income or expenses, as a single amount; or the Scheme may present separately the amounts recovered from the reinsurer and an allocation of the premiums paid that together give a net amount equal to that single amount.</p>	<p>overheads, changes that relate to past service, i.e. changes in fulfilment cash flows relating to the liability for incurred claims and changes that relate to future services, i.e. losses on onerous groups of contracts and reversals of such losses.</p> <p>Reinsurance contracts held</p> <p>The Scheme will present the income or expenses from a group of reinsurance contracts held, other than insurance finance income or expenses, as a single amount</p>	
<p>Transition</p> <p>Platinum Health is still assessing if reasonable and supportable information is available for all contracts in force at the transition date. Accordingly, the Scheme is considering to recognise and measure the group of insurance contracts as if IFRS 17 had always applied; derecognise any existing balances that would not exist had IFRS 17 always been applied; and recognise any resulting net difference in equity.</p> <p>The Scheme has not yet quantified the impact on the opening funds and reserves as at 1 January 2022 from the adoption of the IFRS 17 due to the early stages of the implementation project. The associated preliminary impact on the opening solvency ratio is expected to be 2% or a decrease from 39% to 37%.</p>				

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's annual financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

Judgements

In the process of applying the Group's accounting policies, management have not made any judgements which will have a significant effect on the amounts recognised in the annual financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Expected impairment of insurance receivables

The process of identifying expected credit losses in insurance receivables balances is the result of a process of estimating which debtors, based on actual events and evidence at year end, will not be able to meet their obligations in the future. Portfolio expected credit losses are only made after the specific expected credit loss has been made and overriding economic conditions indicate that the debtors balance as a whole might be an expected credit loss after the specific provision.

Expected credit losses of trade and other receivables

The process of identifying expected credit losses (ECL) in trade and other receivables balances is the result of a process of assessment of historical credit loss experience and forecast economic conditions at every reporting date. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Outstanding claims

Estimates and assumptions are used in deriving the value of the claims provision. Please refer to note 1.4 Provisions.

Deferred taxation asset

The Group recognises the net future tax benefit related to deferred taxation assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred taxation assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred taxation assets recorded at the statement of financial position date could be impacted. Additionally, future changes in tax laws could limit the ability of the Group to obtain tax deductions in future periods.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.4 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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 obligation. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Where the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.5 Outstanding claims provisions

Outstanding claims comprise provisions for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date and related external claims handling expenses.

Claims outstanding are determined as accurately as possible based on a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim. These factors give rise to estimation uncertainty in the determination of the provision.

Estimated co-payments are deducted in calculating the outstanding claims provision.

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

1.6 Contributions

Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. The earned portion of net contributions received is recognised as income. Net contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. Gross contributions are shown before the deduction of broker service fees and other similar costs.

1.7 Claims

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

Net claims incurred comprise:

- claims submitted and accrued for services rendered during the year, net of recoveries from members for co-payments and after taking into account recoveries from third parties;
- claims for services rendered during the previous year not included in the outstanding claims provision for that year, net of recoveries from members for co-payments;
- claims settled in terms of risk transfer arrangements;
- charges for managed health care: healthcare services (excluding risk transfer arrangements); and
- services rendered to members from the Scheme's own facilities.

Anticipated recoveries under risk transfer arrangements are disclosed separately as assets and are assessed in a manner similar to the assessment of the outstanding claims provision, and claims reported not yet paid.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.8 Risk transfer arrangements

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis. If applicable, a portion of risk transfer premiums is treated as prepayments.

Risk transfer claims and benefits reimbursed are presented in surplus or deficit in the statement of comprehensive income.

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. Claim recoveries under the risk transfer arrangement are determined by reports received from the service providers with all services rendered during the period. Utilisation information from the third party provider may be used, however the cost assumptions are based on those that are specific to the medicals scheme, and not those of the third party provided.

Assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding claims provisions and claims reported not yet paid.

Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the outstanding claims provisions, claims reported not yet paid and settled claims associated with the risk transfer arrangement.

Amounts recoverable under risk transfer arrangements are assessed for impairment at each reporting 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.

1.9 Insurance contracts

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

1.10 Liabilities and related assets under liability adequacy test

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

1.11 Own facility

The revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business to third parties, net of discounts. This revenue consists of recovery of salary and management expenses, at a mark-up, rendered to employer companies for services rendered at their properties on their behalf to run occupational health facilities, emergency medical services and employee assistance programmes. Revenue further consists of capitation fees charged to third parties for rendering occupational health services and emergency medical services from own facilities. Revenue also consists of pharmaceutical sales at an in-house pharmacy on a participating employer site. The surplus or deficit on own facilities represents this income less the cost incurred in operating these facilities for third parties. Benefits relating to services rendered by the own facility for the Scheme's members are reflected as part of claims incurred.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.12 Financial instruments

Financial assets

Initial recognition

Financial assets within the scope of IFRS 9 are classified as either financial assets at fair value through profit or loss unless restrictive criteria are met for classifying and measuring the asset at either amortised cost or fair value through other comprehensive income, as appropriate. When financial assets are recognised initially, they are measured at fair value which, in the case of investments not at fair value through profit or loss, includes directly attributable transactions costs.

The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it.

The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

The Groups' financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss as it is managed, and its performance is evaluated on a fair value basis, in accordance with a documented risk management strategy. They are carried in the statement of financial position at fair value with gains and losses recognised in profit or loss. Gains and losses exclude interest and dividend income. Gains and losses on derecognition of the financial assets are recognised in profit or loss.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are trade and other receivables and cash and cash equivalents. After initial measurement financial assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

Trade and other receivables

In terms of IFRS 9, the Group has adopted the simplified approach to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Scheme.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.12 Financial instruments (Continued)

Impairment of financial assets (Continued)

Trade and other receivables (Continued) If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an impairment account and the amount of the loss is recognised in surplus or deficit. For credit-impaired assets (carrying amount less ECL), the interest income is recorded as part of investment income in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. This is however limited to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the advance in prior years. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. If a write-off is later recovered, the recovery is credited in surplus or deficit.

Insurance receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an impairment account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. If a write-off is later recovered, the recovery is credited in surplus or deficit.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.12 Financial instruments (Continued)

De-recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Scheme has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities held at fair value through profit or loss.

All financial liabilities are recognised initially at fair value.

The Group's financial liabilities include trade and other payables.

Derecognition

A financial liability is derecognised when the contractual obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.12 Financial instruments (Continued)

Fair value of financial instruments

The fair value of an investment is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For investments where there is no active market, fair value is determined by reference to the last traded price of the share on the entity's OTC market. The traded price is the price that the share was sold in the last arm's length transaction for that specific share. Hence there are no further observable inputs used in the valuation.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flow, cash and cash equivalents consist of cash and cash equivalents, as defined above.

1.14 The Road Accident Fund

The Group grants assistance to its members in defraying expenditure incurred in connection with rendering of any relevant health services. Such expenditure may be in connection with a claim that is also made to the Road Accident Fund (RAF), administered in terms of the Road Accident Fund Act No. 56 of 1996.

If the member is reimbursed by the RAF, they are obliged contractually to cede that payment to the Scheme to the extent that they have already been compensated.

A reimbursement from the RAF is a possible asset that arises from a claim submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

This contingent asset is assessed continually to ensure that developments are appropriately reflected in the annual consolidated financial statements. If it is virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the annual consolidated financial statements in the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset. Amounts received from members in respect of reimbursements from the RAF are recognised as a reduction of net claims incurred.

1.15 Managed healthcare: management services

These expenses represent amounts paid to employees for managing the utilisation, costs and quality of healthcare services to the Scheme.

1.16 Investment income

Investment income comprises of interest income and dividend accrued from investments held at fair value through profit or loss and interest from cash and cash equivalents, as well as net realised / unrealised gains or losses on investments held at fair value through profit or loss.

Interest income is recognised using the effective interest rate method. Dividend income is recognised when the right to receive payment is established.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.17 Retirement contributions

The Group contributes on behalf of its qualifying employees to a defined contribution plan. The employer's contribution is expensed in the statement of comprehensive income when incurred.

1.18 Finance costs

Finance costs on the long-term incentive scheme are recognised as an expense when incurred.

1.19 Allocation of income and expenses to options

The following items are directly allocated to benefit options:

- Contribution income
- Claims incurred
- Net income/(expense) on risk transfer arrangement fees
- Administration fees
- Managed care: management services

The remaining items are apportioned based on the number of members on each option:

- Other administration expenditure
- Investment income
- Other income
- Other expenditure

1.20 Taxation

In terms of section 10 (1) (d) of the Income Tax Act of 1962, as amended, receipts and accruals of a benefit fund are exempt from normal tax. A Medical Scheme is included in the definition of a benefit fund and consequently the Scheme is exempt from income tax. However, the Scheme is subject to VAT on management fees and non-contribution income and expenses.

RA Gilbert Proprietary Limited, a subsidiary is a taxable entity and the charge for current tax is based on the profit before tax for the year, as adjusted for items which are exempt or disallowed. It is calculated using tax rates that have been enacted or substantially enacted at the reporting date. Current and deferred tax is recognised in surplus or deficit, except when it relates to items credited or charged directly to other comprehensive income or to equity, in which case the taxation effect is also recognised in other comprehensive income or equity.

Deferred tax assets and liabilities are measured using tax rates that are expected to apply to the period when the asset is realised and the liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or assessed or calculated losses can be utilised. However, such assets or liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither the taxable income nor the accounting profit.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

1.21 Management fees

Management fees comprise management services rendered by the Group to related parties (refer to note 29). Management fee income is recognised as income when rendered.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.22 Long-term incentive scheme

Long-term incentive scheme comprises provisions for incentives calculated based on specific criteria to be met and is payable on certain conditions. Long-term incentive costs are recognised and accounted for over the vesting period (refer to Note 10 of the annual consolidated financial statements).

1.23 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the assets. All other repair and maintenance costs are recognised in surplus or deficit as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset after taking into consideration the assets' residual values.

• Computer hardware	3 years
• Computer software	2 years
• Motor vehicles	4 years
• Office equipment	5 years
• Furniture and fittings	6 years
• Right-of-use assets	3 to 10 years
• Plant and equipment	5 to 10 years

An asset is derecognised upon disposal, or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and any changes are accounted for as a change in accounting estimate. The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

1.24 Pharmaceutical inventories

Inventories comprise merchandise and are stated at the lower of cost or net realisable value. Cost comprises direct materials and where applicable, those costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to be incurred in respect of selling and distribution.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.25 Leases

Leases right-of-use assets

At inception of a contract, The Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Scheme is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Platinum Health is reasonably certain not to terminate early.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.25 Leases (Continued)

As a lessee (Continued)

The lease liability is measured at amortised cost using the incremental borrowing interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'long term liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including operational equipment which is the latter. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.26 Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 34.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022(Continued)

2. PROPERTY, PLANT AND EQUIPMENT

	2022			2021		
	Cost	Accumulated	Carrying	Cost	Accumulated	Carrying
	R	depreciation	value	R	depreciation	value
	R	R	R	R	R	R
Computer hardware	3 172 641	(2 981 527)	191 114	3 161 773	(2 670 954)	490 819
Computer software	690 960	(516 793)	174 167	690 960	(326 793)	364 167
Plant and equipment	22 395 974	(10 183 780)	12 212 194	18 845 296	(7 456 538)	11 388 758
Office equipment	615 614	(120 770)	494 844	106 307	(66 313)	39 994
Furniture and fittings	38 900	(29 715)	9 185	88 955	(23 232)	65 723
Right-of-use assets	73 490 112	(31 355 890)	42 134 222	73 224 644	(22 897 016)	50 327 628
Motor vehicles	6 025 625	(4 581 158)	1 444 467	4 668 053	(4 037 110)	630 943
	106 429 826	(49 769 633)	56 660 193	100 785 988	(37 477 956)	63 308 032

Reconciliation of carrying value of Property, plant and equipment

	Carrying value	Additions	Disposals	Depreciation	Carrying
	at beginning of	R	R	R	value at
	year				end of year
	R	R	R	R	R
2022					
Computer hardware	490 819	10 868	–	(310 573)	191 114
Computer software	364 167	–	–	(190 000)	174 167
Plant and equipment	11 388 758	3 550 677	–	(2 727 241)	12 212 194
Office equipment	39 994	509 307	–	(54 457)	494 844
Furniture and fittings	65 723	–	(50 055)	(6 483)	9 185
Right-of-use assets	50 327 628	265 468	–	(8 458 874)	42 134 222
Motor vehicles	630 943	1 357 572	–	(544 048)	1 444 467
	63 308 032	5 693 892	(50 055)	(12 291 676)	56 660 193
2021					
Computer hardware	900 789	153 644	–	(563 614)	490 819
Computer software	25 913	380 000	–	(41 746)	364 167
Plant and equipment	9 308 179	4 201 509	–	(2 120 930)	11 388 758
Office equipment	33 438	27 362	–	(20 806)	39 994
Furniture and fittings	22 151	50 055	–	(6 483)	65 723
Right-of-use assets	53 809 349	4 876 065	–	(8 357 786)	50 327 628
Motor vehicles	632 209	389 970	–	(391 236)	630 943
	64 732 028	10 078 605	–	(11 502 601)	63 308 032

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

3. INVESTMENT IN SUBSIDIARY

The Scheme purchased all issued shares in RA Gilbert Proprietary Limited from Platmed Proprietary Limited at net asset value as at 31 December 2019. The actual registration and transfer of the shares took place on 1 June 2020 and control was transferred at that date. The purchase amount was paid during June 2020.

RA Gilbert Proprietary Limited is a company owning pharmacies who mainly supply pharmaceutical services to the Scheme and member employer companies. The main purpose of the acquisition is to ensure that services rendered to the members of the Scheme are done on the most cost-effective basis to the benefit of the members.

There is no goodwill attached to the acquisition since RA Gilbert mainly exists because of sales to the Scheme and no contingent asset or liability is created as no conditions were attached to the sale and purchase of RA Gilbert.

4. PHARMACEUTICAL INVENTORIES

	2022 R	2021 R
Pharmaceutical inventories	<u>5 725 719</u>	<u>8 527 874</u>

No provision for obsolete inventories has been raised for the years ended 31 December 2022 and 31 December 2021. Inventories are regularly checked for expiry and are written off monthly and disposed of as per legal requirements through a registered disposal company.

5. DEFERRED TAXATION

The movement in the deferred tax balance is as follows:

Balance at beginning of the year	–	1 938 302
Current year deferred tax recognised in surplus or deficit (note25)	–	(1 938 302)
	<u>–</u>	<u>–</u>
Deferred tax asset - end of year	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
The balance at the end of the year comprises:		
Provisions	<u>–</u>	<u>–</u>

The full operational business and all employees of RA Gilbert Proprietary Limited were transferred to the Scheme on 1 January 2021. This resulted in all the temporary differences being written back in RA Gilbert Proprietary Limited resulting in an estimated assessed loss which will not be recovered in the foreseeable future. Management took the decision to write back the full amount of the deferred tax asset as it will not be utilised in the foreseeable future under the current business model of RA Gilbert Proprietary Limited.

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

6. TRADE AND OTHER RECEIVABLES	2022	2021
	R	R
<i>Insurance receivables</i>		
Contributions outstanding	4 008 904	3 528 337
Less: Expected credit losses	(243 492)	(142 342)
	(142 342)	(585 379)
– Expected credit losses at beginning of year	(101 150)	443 037
– (Increase)/Decrease in expected credit losses for the year (Note 18)	531 979	443 037
– Utilised	(633 129)	–
– Raised		
	3 765 412	3 385 995
<i>Non-insurance receivables</i>		
	51 952 665	57 480 365
Trade and discount receivables	44 115 219	57 283 128
Deposits	1 372 679	1 284 977
Accrued interest on bank balances	917 678	592 388
Anglo American group balances	5 476 500	–
Prepayments	1 221 721	31 985
Share of other risk transfer arrangements for outstanding claims	1 129 271	955 122
Less: Expected credit losses	(2 280 403)	(2 667 235)
	(2 667 235)	(1 765 762)
– Expected credit losses at beginning of year	386 832	(901 473)
– Decrease/(Increase) in expected credit losses for the year (Note 18)	1 124 882	(9 035)
– Utilised	(738 050)	(892 438)
– Raised		
	55 718 077	60 866 360

At 31 December 2022 and 2021 the carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets.

Contributions outstanding are non-interest bearing, unsecured and are repayable within three days after month end.

The focus of debtors' impairment is on self-paying members and not members where their contributions are paid by the employers on their behalf. The Scheme is confident of receiving all contributions paid by the relevant pay points.

The outstanding balances on self-paying debtors are individually assessed to determine if the debtor's balances are fully recoverable.

The trade and discount debtors and deposits are receivable based on the contractual terms agreed upon with the counterparty. Accrued interest on bank balances is receivable within one month following the month in which it has accrued.

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

7. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS	2022 R	2021 R
Designated upon initial recognition		
Fair value at the beginning of the year	407 609 058	348 474 475
Asset management fee (Note 24)	(2 680 124)	(2 413 073)
Cost incurred in maintaining the investment	(32 187)	(29 059)
Investment income re-invested before cost incurred in maintaining the investment	35 087 236	24 142 263
Realised gain on disposal of investments (Note 20)	631 640	371 877
Fair value adjustment (Include equities, bills, bonds and debentures and cash and deposits)	(3 645 009)	37 062 575
	<hr/>	<hr/>
Fair value at the end of the year	436 970 614	407 609 058
	<hr/>	<hr/>
The investments are classified as follows:		
Bills, bonds and debentures	197 816 899	236 050 985
Equity	118 272 542	157 482 453
Cash and deposits	120 881 173	14 075 620
	<hr/>	<hr/>
Fair value at the end of the year	436 970 614	407 609 058
	<hr/>	<hr/>

Investments are managed on a fair value basis hence the investments have been designated at initial recognition at fair value through profit or loss. The Scheme has invested in an Allan Gray portfolio. This portfolio is a pool of funds and Allan Gray is to invest the funds based on the Council for Medical Schemes guidelines and the Medical Schemes Act. If conditions are not met, rectification is required within 7 days. The investments are earning interest and dividends at varying rates.

The weighted rate of return on the Allan Gray portfolio was 7.58% (2021: 16.05%).

The fair values of these investments in listed bonds and equities are based on their market value. A register of investments is available for inspection at the registered office of the Scheme.

The investment was reclassified as a non-current asset during the year as the investment objectives are to maximise the return on investments on a long-term basis at minimum risk. It was disclosed as a current asset in prior periods, due to the ability to liquidate the underlying investment at short notice due to the nature of the portfolio. This was however not aligned with the IAS1 definition of a current asset as the Scheme's intent is to hold the investment on a long-term basis.

Fair values of financial assets by hierarchy level

Assets measured at fair value

2022	<i>Level 1 R'000</i>	<i>Level 2 R'000</i>	<i>Level 3 R'000</i>	<i>Reclassification R'000</i>
Financial assets at fair value through profit or loss				
– Bonds	–	197 816 899	–	–
– Equity	118 272 542	–	–	–
– Cash and deposits	120 881 173	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total	239 153 715	197 816 899	–	–
	<hr/>	<hr/>	<hr/>	<hr/>

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

7. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Fair values of financial assets by hierarchy level (Continued)

Assets measured at fair value

All bonds are categorised under level 2. These bond instruments, while valued on quoted prices, are not actively traded sufficiently to be categorised as level 1.

The Scheme recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

2021	<i>Level 1</i> R'000	<i>Level 2</i> R'000	<i>Level 3</i> R'000	<i>Reclassification</i> R'000
– Bonds	–	236 050 985	–	–
– Equity	157 482 453	–	–	–
– Cash and deposits	14 075 620	–	–	–
Total	171 558 073	236 050 985	–	–

The definitions of the level categorisation are as follows:

Level 1: Based on quoted prices in active markets for identical assets or liabilities

Level 2: Based on inputs, other than stated above, that is market observable for the asset or liability - directly (as prices) or indirectly (derived from prices)

Level 3: The inputs are not based on the observable market data.

	2022 R	2021 R
8. CASH AND CASH EQUIVALENTS		
Call accounts	516 918 350	424 197 650
Current accounts	9 384 952	9 995 735
Petty cash	37 501	22 780
Cash and cash equivalents as per statement of cash flows	526 340 803	434 216 165

The call accounts are available on demand.

Cash at banks earn interest at floating rates based on daily rates. Short term investments are made for varying periods of between one day and three months and earn interest at respective short-term deposit rates.

The weighted average effective interest rate on call accounts was 4.39% (2021: 3.27%) and on current accounts was 1.41% (2021: 0.23%).

At 31 December 2022 and 2021, the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

9. TAXATION RECEIVABLE	2022	2021
	R	R
Amount receivable at the beginning of the year	122 727	122 727
Taxation refunded	(133 147)	–
Interest received	10 420	–
	<hr/>	<hr/>
Amount receivable at end of the year	–	122 727
	<hr/> <hr/>	<hr/> <hr/>

10. LONG TERM LIABILITIES

10.1 Lease Liability

Balance at the beginning of the year	49 821 580	50 390 376
Add back amount payable within one year for prior year provision	13 904 720	12 990 336
Additions to lease liability (new leases entered)	265 468	4 876 065
Interest for the year (Note 22)	8 017 146	8 514 559
Paid during the year	(13 931 354)	(13 045 036)
Payable within 1 year (Note 11)	(14 588 960)	(13 904 720)
	<hr/>	<hr/>
Balance at end of the year	43 488 600	49 821 580
	<hr/> <hr/>	<hr/> <hr/>

The maturity analysis of the lease liability is as follows:

Within one year classified under current liabilities	14 588 960	13 904 720
	<hr/>	<hr/>
Two to five years	61 203 457	60 358 481
More than five years	9 170 113	24 259 794
	<hr/>	<hr/>
Total future payments	70 373 570	84 618 275
	<hr/> <hr/>	<hr/> <hr/>

The lease liability only consists of leases of buildings and does not include leases of low-value assets and leases of short term. The costs incurred for leases of low-value assets and leases of short-term nature are carried under Own facility surplus and disclosed in Note 21.

Refer to note 2 for the carrying value of right-of-use asset.

The following are the amounts recognised in surplus or deficit:

– Depreciation expenses of right-of-use asset (Note 2)	8 458 875	8 357 786
– Interest expenses on lease liabilities (Note 22)	8 017 146	8 514 559
– Expenses related to low value assets (Note 21)	322 060	444 762
– Expenses related to short term leases (Note 21)	875 865	2 463 491
	<hr/>	<hr/>
Total amount recognised in surplus or deficit	17 673 946	19 780 598
	<hr/> <hr/>	<hr/> <hr/>

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

10. LONG TERM LIABILITIES (Continued)

10.2 Long-term incentives	2022 R	2021 R
Provision for long-term incentive scheme (LTIS)		
Balance at beginning of the year	25 121 082	14 335 908
Provided during the year	24 164 387	20 186 443
Payable within 1 year (Note 11)	(22 725 744)	(9 401 269)
Balance at end of the year	<u>26 559 725</u>	<u>25 121 082</u>

The long-term incentive scheme (LTIS) is a retention benefit payable to qualifying employees who are employed by the Scheme when the benefits vest. Each annual LTIS allocation provision amount will be retained for a period of 3 years, where after it will become payable to qualifying participants. The calculation of the LTIS is based on the short-term incentive bonus (Note 11) and is influenced by a sliding scale applicable to the grading level of each qualifying participant. The unrecognised portion of LTIS which has not yet vested amounts to:

2020 portion not yet recognised	–	8 263 861
2021 portion not yet recognised	8 520 693	17 186 720
2022 portion not yet recognised	<u>19 036 678</u>	–
Total amount not yet recognised	<u>27 557 371</u>	<u>25 450 581</u>
Total long-term liabilities	<u>70 048 325</u>	<u>74 942 662</u>

11. TRADE AND OTHER PAYABLES

Insurance payables

	83 001 159	60 791 513
Unallocated deposits: Employer group	6 140 296	4 237 310
: Pensioners' contributions received in advance	2 875 034	2 949 314
Reported claims not yet paid	72 856 558	52 649 767
– Balance at the beginning of the year	52 649 767	30 589 244
– Claimed during the year (Note 15)	1 233 708 023	1 149 287 898
– Paid during the year	(1 213 501 232)	(1 127 227 375)
Accrual for outstanding claims under other risk transfer arrangements	1 129 271	955 122

Non-insurance liabilities

	124 668 649	117 775 145
Other payables and accrued expenses	14 684 503	30 518 614
Payroll creditors	10 674 815	508 598
Short term incentive bonus liability	55 201 626	52 424 039
Long-term incentive bonus liability payable within one year (Note 10.2)	22 725 744	9 401 269
Lease liability right-of-use assets payable within one year (Note 10.1)	14 588 960	13 904 720
South African Revenue Services – VAT	1 493 126	1 187 119
Payment received in advance under capitation fee services	5 299 875	9 665 240
Platmed Proprietary Limited	–	165 546
Total trade and other payables	<u>207 669 808</u>	<u>178 566 658</u>

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

11. TRADE AND OTHER PAYABLES (Continued)

The carrying amounts of trade and other payables approximate their fair values due to the short-term maturities of these liabilities. The amounts owed are interest free, unsecured and the terms of repayment are 30 days from invoice date.

The short-term incentive is payable to all employees and is based on the combined overall performance of Platinum Health Medical Scheme and RA Gilbert Proprietary Limited. The three main drivers for the incentive calculation are the combined profit or loss, cost per beneficiary and customer satisfaction. The calculation is based on the employee's pensionable salary scale as a percentage of the eligible bonus payable and influenced by the employee's personal performance rating obtained for the year.

	Covered by risk transfer arrangements R	Not covered by risk transfer arrangements R
12. OUTSTANDING CLAIMS PROVISION		
2022		
Provision for outstanding claims – Incurred but not yet reported	1 129 271	52 870 729
Analysis of movements in outstanding claims		
Balance at beginning of year	955 122	66 964 878
Payments in respect of prior year	(955 122)	(47 546 418)
Over provision in prior year	–	19 418 460
Adjustment for current year	1 129 271	33 452 269
Balance at end of year	1 129 271	52 870 729
Analysis of outstanding claims provision		
Estimated gross claims	1 129 271	52 870 729
	1 129 271	52 870 729
Net exposure in respect of outstanding claims		
Gross outstanding claims	1 129 271	52 870 729
Net outstanding claims	1 129 271	52 870 729

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

12. OUTSTANDING CLAIMS PROVISION (Continued)	Covered by risk transfer arrangements R	Not covered by risk transfer arrangements
2021		
Provision for outstanding claims – Incurred but not yet reported	955 122	66 964 878
Analysis of movements in outstanding claims		
Balance at beginning of year	884 631	44 515 369
Payments in respect of prior year	(884 631)	(34 141 161)
Over provision in prior year	–	10 374 208
Adjustment for current year	955 122	56 590 670
Balance at end of year	955 122	66 964 878
Analysis of outstanding claims provision		
Estimated gross claims	955 122	66 964 878
	955 122	66 964 878
Net exposure in respect of outstanding claims		
Gross outstanding claims	955 122	66 964 878
Net outstanding claims	955 122	66 964 878

Process used to determine the assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies of past events, e.g. claims payment history, abnormal claims and case management statistics that are carried out annually. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from managed care: management services and historical evidence of the size of similar claims. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by category of claims (i.e. in-hospital, chronic and above threshold benefits) due to differences in the underlying insurance contract claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The cost of outstanding claims is estimated using a range of statistical methods. Such methods extrapolate the development of paid and incurred claims, average cost per claims and ultimate claim numbers for each benefit year based upon observed development of earlier years and expected loss ratios.

Run-off triangles are used in situations where it takes time after the treatment date until the full extent of the claims to be paid is known. It is assumed that payments will emerge in a similar way in each service month.

The proportional increase in the known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

12. OUTSTANDING CLAIMS PROVISION (Continued)

The actual method or blend of methods used varies according to benefit year being considered, categories of claims and observed historical claims development. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods.

- Changes in processes that affect the development / recording of claims paid and incurred;
- Economic, legal, political and social trends (resulting in different than expected levels of inflation and/or minimum medical benefits to be provided);
- Changes in composition of members and their dependents; and
- Random fluctuations, including the impact of large losses.

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected claims ratios for the most recent benefit years for the in-hospital, chronic and above threshold categories of claims. These are used for assessing the outstanding claims provision for the 2022 and 2021 benefit years. The expected claims ratio assumed for the benefit years 2022 and 2021 is 36% and 35% for in-hospital, 21% and 20% for chronic 9% and 8% for above threshold benefits. The percentage calculated is the actual year to date cost per category as a percentage of the actual year to date of all healthcare expenses.

Changes in assumptions and sensitivities to changes in key variables

The table below outlines the sensitivity of insured liability estimates for reasonable possible 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 and reasonable changes to that variable in the future may be required.

The Scheme believes that the liabilities for claims reported in the statement of financial position are adequate. The sensitivity of the liability is limited, as it comprises 87.11% (2021: 95.81%) of actual 2022 claims processed from January 2023 to March 2023 which relate to 2022 claims processed in 2023. Therefore, the remaining balance has variables considered to be immaterial and no impact has been assessed for significant changes to these variables. However, should the materiality level of an individual variable change, assessment of and reasonable changes to that variable in the future may be required.

	<i>Change in variable</i>	<i>Change in liability</i>	
		2022	2021
	%	R	R
In-hospital benefits: 36% (2021: 36%)	1	5 017 741	4 681 132
Specialist costs: 12% (2021: 12%)	1	1 777 238	1 509 157
Pharmaceutical and Chronic medicine costs: 21% (2021: 21%)	1	2 829 707	2 673 071
Clinical Pathology: 9% (2021: 9%)	1	964 452	1 156 153
Average claims for the Scheme	1	1 440 172	1 370 527
Manual claims (transactions) as a % of total claims (transactions)	1	4.65%	5.88%

This analysis is prepared for a change in a specified variable with other assumptions remaining constant. The change in liability also represents the absolute change in surplus for the year. It should be noted that increases in liabilities will result in decreases in surplus and vice versa. These reasonable possible changes in key variables do not result in any changes directly in reserves.

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

13. LEAVE ACCRUAL	Leave pay R	Holiday leave allowance R	Total R
2022			
Balance at the beginning of the year	13 213 590	3 631 014	16 844 604
Net utilised during the year	<u>231 496</u>	<u>18 226</u>	<u>249 722</u>
Balance at the end of the year	<u><u>13 445 086</u></u>	<u><u>3 649 240</u></u>	<u><u>17 094 326</u></u>
2021			
Balance at the beginning of the year	13 903 772	4 066 504	17 970 276
Net accumulated during the year	<u>(690 182)</u>	<u>(435 490)</u>	<u>(1 125 672)</u>
Balance at the end of the year	<u><u>13 213 590</u></u>	<u><u>3 631 014</u></u>	<u><u>16 844 604</u></u>

Leave pay

The leave pay accrual represents accumulated leave days that all the employees have due to them at the end of the financial year, applied to the basic rate of pay relating to each respective employee. Leave pay is payable with encashment, retrenchment, retirement or resignation, and the accrual is reduced whenever leave is taken by an employee.

Holiday leave allowance

Holiday leave allowance (HLA) represents the accumulated leave bonus that all the employees have due to them at the end of the financial year. HLA is measured on the basis of one month's salary. Payments are made on request of employees during the year and any outstanding balances are paid out in the anniversary month of the employee.

14. GROSS CONTRIBUTION INCOME	2022 R	2021 R
Gross contributions	<u><u>1 820 644 262</u></u>	<u><u>1 610 141 924</u></u>

Gross contributions comprise of contributions towards PlatComprehensive, PlatCap and PlatFreedom healthcare options. The Scheme does not offer medical savings accounts.

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

15. NET CLAIMS INCURRED	2022	2021
	R	R
Claims incurred, excluding claims incurred in respect of risk transfer arrangements		
Current year claims	1 233 708 023	1 149 287 898
Services provided to members in own facilities (Note 21)	369 016 916	324 182 435
Accredited managed care – healthcare services	427 048	447 093
Movement in outstanding claims provision	52 870 729	66 964 878
– Over provision in prior year	19 418 460	10 374 208
– Adjustment for current year	33 452 269	56 590 670
	1 656 022 716	1 540 882 304
Claims incurred in respect of risk transfer arrangements		
Current year claims incurred in respect of risk transfer arrangements	8 870 149	7 630 541
Movement in outstanding claims provision		
– Adjustment for current year (Note 12)	1 129 271	955 122
	9 999 420	8 585 663
Third party claims recovery (Road Accident Fund)	(711 284)	(339 987)
Net claims incurred	1 665 310 852	1 549 127 980
16. NET LOSS ON RISK TRANSFER ARRANGEMENTS		
Rustenburg Specialists	3 551 830	2 875 801
Premiums paid to Rustenburg Specialists	13 551 250	11 461 464
Less: Rustenburg Specialists services at Scheme rates (Claims figures received directly from service provider)	(9 999 420)	(8 585 663)
Loss on risk transfer arrangements	3 551 830	2 875 801

The Scheme has entered into fixed fee contracts with the majority of specialists in Rustenburg for the rendering of specialist health services to its members.

The services are based on negotiated fixed monthly payments to the specialist and an adjustment of fees is negotiated if there is a substantial increase in members (up more than 10% growth from date of signing the contract). The services rendered to members are billed at Platinum Health Medical Scheme rates and the difference between the services provided at the rates and the fixed amount paid is the risk transfer surplus or deficit.

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

17. MANAGED CARE: MANAGEMENT SERVICES	2022 R	2021 R
External		
Medikredit – Pharmaceutical protocols, formularies and hospital audits	<u>4 076 891</u>	<u>2 918 764</u>
	4 076 891	2 918 764
Internal		
Development, implementation and management of agreements with provider networks and providers	4 791 856	4 005 921
Claims management services	1 369 102	1 144 549
Disease management	1 369 102	1 144 549
HIV management	684 551	572 274
Disease/prescribed minimum benefit	684 551	572 274
Managed hospital care	1 369 102	1 144 549
Contracted network primary health care and specialist services	684 551	572 274
Oncology utilisation management	1 369 102	1 144 549
Psychiatric and psychology benefit management	273 820	228 910
Radiology management services	684 551	572 274
Service provider negotiations and management	273 820	228 910
Optical management	<u>136 909</u>	<u>114 455</u>
	<u>13 691 017</u>	<u>11 445 488</u>
	17 767 908	14 364 252
Total Managed Care – Management Services	<u>17 767 908</u>	<u>14 364 252</u>

The allocation of internal management services cost is determined based on the estimated time spent on managing each expense type.

18. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES

Movement in provision (Note 6)	285 682	(458 436)
Impairment loss recognised directly to statement of comprehensive income	<u>(1 656 861)</u>	<u>(434 002)</u>
	<u>(1 371 179)</u>	<u>(892 438)</u>

Impairment loss recognized of R1 656 861 is for insurance and trade and other receivables that could not be recovered in the current year.

The impairment amount of R2 523 895 is the provision of the credit impairment for insurance debtors R243 492 and trade and other receivables R2 280 403 for the 2022 financial year.

The increase in the impairment losses in 2022 is a result of medical scheme administration not being able to recover long outstanding invoices from trade and other receivable debtors in the financial year.

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

19. ADMINISTRATION EXPENSES	2022	2021
Scheme	R	R
Accommodation	4 311 385	2 569 404
Administration salaries	60 784 246	55 724 672
Advertising marketing and promotions costs	3 988 429	3 285 595
Audit fees (Note 21 and Note 23)	4 535 403	3 830 046
Bank charges	901 674	788 966
Cleaning services	78 798	1 361
Clothing	868 637	349 924
Computer costs	5 899 587	4 576 253
Conference and seminars	343 930	–
Consultant fees	5 159 168	3 712 915
Corporate gifts	46 378	708 837
Depreciation	1 051 466	976 693
Entertainment	1 701 846	1 060 751
Fidelity guarantee insurance premium	272 740	4 463 416
Foodstuff	115 407	74 677
Insurance premiums: Other	485 329	996 100
Legal expenses	2 153 951	1 416 167
Maintenance expenses	245 830	75 969
Management fees	4 500	1 422
Motor vehicle expenses and fuel cost	4 876 009	2 431 586
Principal Officer's fees and remuneration	2 972 406	2 721 062
Record storage	50 017	49 681
Recruitment cost	1 171 806	407 127
Registrar's levies	2 411 404	2 290 349
Removal costs	14 500	–
Rental offices	101 949	103 095
Security services	10 337	7 884
Small assets written off	1 093 027	714 257
Stationery and printing	1 670 484	1 588 948
Subscriptions	208 238	181 488
Telephone and postage	993 198	952 564
Transport costs	96 750	31 578
Water and electricity	259 575	251 221
Total	108 878 404	96 344 008
20. INVESTMENT INCOME		
Investment income received (financial assets at fair value through profit or loss)	35 718 876	24 514 140
– Interest on investments at fair value	26 504 287	18 754 366
– Dividends	8 582 949	5 387 897
– Realised gain on disposal of investments (Note 7)	631 640	371 877
Interest on bank accounts (financial assets at amortised cost)	20 123 712	11 027 011
	55 842 588	35 541 151

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

21. OWN FACILITY SURPLUS	2022		2021	
	Members R	External Parties R	Members R	External Parties R
Income from the use of own facilities	672 055 220	173 035 187	643 173 355	156 027 545
– By members (Note 15) *	369 016 916	–	324 182 435	–
– By Members Levies received	4 625 354	–	3 841 266	–
– By members Pharmacy	298 412 950	–	315 149 654	–
– By external parties Employee assistance programme	–	4 831 044	–	4 358 025
– By external parties Capitation fee income	–	168 204 143	–	151 669 520
Less: Costs incurred in the provision of own facilities to members and external parties	(672 055 220)	(148 766 548)	(643 173 355)	(119 285 955)
– Salaries and wages	(258 975 460)	(102 409 691)	(254 520 925)	(80 448 730)
– Accommodation	(2 479 634)	(483 341)	(1 490 753)	(180 431)
– Advertising marketing and promotions costs	(630 681)	(133 117)	(210 602)	(11 980)
– Audit fees (Note 23)	–	(272 425)	–	(319 030)
– Cleaning services	(12 105 665)	(2 359 611)	(8 787 103)	(1 550 838)
– Computer costs	(26 180 664)	(11 052 573)	(22 188 913)	(7 546 812)
– Clothing	(1 986 224)	(918 071)	(2 184 371)	(55 558)
– Conferences and seminars	(4 150)	(2 500)	–	–
– Consultant fees	(634 939)	(553 862)	(162 265)	(133 556)
– Consumables	(2 083 582)	(702 342)	(4 508 133)	(89 326)
– Depreciation**	(10 498 144)	(596 944)	(10 028 336)	(108 986)
– Emergency medical services at capitation fee facilities	(1 041 798)	(16 482 397)	–	(14 920 871)
– Entertainment	(620 427)	(17 690)	(276 931)	(25 760)
– Fidelity guarantee insurance	(2 807 112)	(449 138)	–	–
– Foodstuffs	(1 286 977)	(113 331)	(1 036 838)	(57 200)
– Insurance cost	(743 752)	(263 334)	–	–
– Interest paid on lease liability right-of-use assets** (Note 22)	(7 606 960)	–	(8 101 762)	–
– Legal expenses	(3 749)	–	(4 025)	–
– Maintenance and repairs	(6 496 836)	(1 038 916)	(6 479 853)	(271 373)
– Management fees	–	–	(91 427)	(29 351)
– Medical waste removal	(779 998)	(312 058)	(968 197)	(267 947)
– Motor vehicle expenses and fuel cost	(4 410 886)	(3 089 179)	(3 909 793)	(1 878 274)
– Pharmaceutical and other medical related expenses***	(61 742 045)	(5 985 181)	(31 705 490)	(7 788 582)
– Pharmacy expenses incurred	(246 572 286)	–	(267 558 461)	–
– Record storages	(99 315)	–	(81 342)	–
– Recruitment costs	(209 511)	(5 559)	(442 201)	(138 060)
– Rental of equipment***	(255 532)	(139 699)	(14 249)	(2 465 021)
– Rental offices**	(3 256 711)	–	(1 298 428)	–
– Security services	(5 057 475)	–	(2 944 825)	–
– Small assets written off	(2 060 568)	(284 853)	(3 542 087)	(319 128)
– Stationery and printing	(2 928 901)	(317 410)	(2 621 372)	(98 072)
– Subscriptions	(320 073)	(67 705)	(298 518)	(62 990)
– Telephone and postage	(1 298 793)	(108 504)	(1 363 055)	(108 445)
– Training	(687 099)	(38 715)	(444 772)	(83 399)
– Transportation cost	(556 302)	(123 590)	(327 705)	(31 464)
– Water and electricity	(7 824 533)	–	(7 617 284)	–
– Other revenue / (expenses)	2 191 562	(444 812)	2 036 661	(294 771)
Surplus	–	24 268 639	–	36 741 590

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

21. OWN FACILITY SURPLUS (Continued)

The Group provides healthcare services to its members and external parties from leased facilities. The Group further provides occupational health services and emergency medical services to external parties on a capitation fee basis. These facilities include consulting rooms, dental facilities, optometry facilities, X-ray and occupational health services facilities situated at various locations in the service areas.

The group renders occupational healthcare services to participating employer companies as well as contractor companies on a fee for service basis. The contractor-based companies had a high turnover of employees during the 2021 financial year due to the covid 19 pandemic and that contributed largely to the profit for the 2021 year due to the additional payments made for services required. The participating employer companies also requested for additional services during the 2021 year to accommodate covid 19 positive employees and contractors and this contributed to the positive results under services to external parties.

- (*) The Group's salary costs and other costs incurred for providing these services from our facilities to its members is shown under relevant healthcare expenditure (refer Note 15). The salary cost and other costs incurred to provide services to external parties are shown as expense from external parties.
- (**) The Group applied IFRS 16 and the result is an increase in depreciation and interest paid on lease liability to the amount of R7 779 320 (2021: R8 153 799) and R7 606 960 (2021: R8 101 762) respectively and a subsequent reduction in rental paid for offices of R13 931 354 (2021: R13 045 036). This amount is the VAT exclusive amount as IFRS 16 excludes VAT from the calculation of the right of use asset and lease liability.
- (***) The Group opted not to classify low value asset leases and short-term leases under lease liabilities and the amounts are expensed as follows:

	2022 R	2021 R
– Low value assets	322 060	444 762
– Short term leases	<u>875 865</u>	<u>2 463 491</u>
Total	<u><u>1 197 925</u></u>	<u><u>2 908 253</u></u>

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

	2022 R	2021 R
22. FINANCE COSTS		
Interest accrued		
– Long-Term Incentive Scheme interest accrued	2 821 528	1 466 812
– Lease liability (classified under administrative expenses)	410 186	412 797
– Total interest accrued lease liability (Note 10.1)	8 017 146	8 514 559
– Lease liability transferred to own facility surplus (Note 21)	(7 606 960)	(8 101 762)
	<hr/>	<hr/>
Total interest accrued	3 231 672	1 879 609
	<hr/> <hr/>	<hr/> <hr/>
23. AUDITORS' REMUNERATION		
External audit fees	2 869 737	2 386 912
– the Scheme (note 19 and note 21)	2 490 903	2 258 212
– RA Gilbert Proprietary Limited (note 21, included in Pharmacy expenses incurred)	378 834	128 700
Internal audit fee	1 938 091	1 762 163
	<hr/>	<hr/>
Total audit fees paid	4 807 828	4 149 075
	<hr/> <hr/>	<hr/> <hr/>
24. ASSET MANAGEMENT FEES		
Asset management fees paid to Allan Gray (Note 7)	2 680 124	2 413 073
	<hr/> <hr/>	<hr/> <hr/>
Fees are payable as per agreement with Allan Gray, based on the investment amounts.		
25. TAXATION		
South African normal tax		
Current taxation		
– Current year	–	–
Deferred taxation		
– Current year	–	1 938 302
	<hr/>	<hr/>
Total income tax paid	–	1 938 302
	<hr/> <hr/>	<hr/> <hr/>
Statutory rate of taxation	%	%
	28	28
Permanent differences non-taxable income*	(28)	(28)
Deferred tax asset not recognised	–	4
	<hr/>	<hr/>
Effective rate of taxation	–	4
	<hr/> <hr/>	<hr/> <hr/>

*Full income of the Scheme is tax exempted.

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

26. CASH FLOWS FROM OPERATIONS	2022 R	2021 R
Reconciliation of net surplus for the year to cash generated by operations		
Surplus for the year	97 153 299	51 970 918
Adjustments for:		
– Investment income (Note 20 and Note 7)	(35 718 876)	(24 514 140)
– Prior year adjustment (Consolidated Statement of Changes)	(926 644)	–
– Cost incurred in maintaining investment (Note 7)	32 187	29 059
– Management fee paid to investment managers (Note 7)	2 680 124	2 413 073
– Movement in impairment losses (Note 18)	1 371 179	892 438
– Movement in leave accruals (Note 13)	249 722	(1 125 672)
– Movement in long-term incentive provisions (Note 10.2)	1 438 643	10 785 174
– Movement in claims provisions (Note 12)	(13 920 000)	22 520 000
– Depreciation (Note 2)	12 291 676	11 502 601
– Interest paid lease liability (Note 10.1 and Note 22)	8 017 146	8 514 559
– Profit on disposal of assets	(32 445)	(140 404)
– Net (gains) / loss on revaluation of investments held at fair value through profit or loss (Note 7)	3 645 009	(37 062 575)
Surplus before working capital changes	76 281 020	45 785 031
Working capital changes	34 998 169	2 017 270
– (Increase) / decrease in trade and other receivables (Note 6 and Note 18)	3 777 104	(7 612 752)
– Decrease in inventories (Note 4)	2 802 155	2 681 450
– Increase in trade and other payables (Note 11)	28 418 910	6 948 572
Cash generated by operations	111 279 189	47 802 301
27. PRIOR YEAR ADJUSTMENT		
Trade and other receivables as stated	55 718 077	60 866 360
Increase in expected credit losses	-	(926 644)
Trade and other receivables restated	55 718 077	59 939 716
Accumulated funds before adjustment as stated	733 529 591	636 376 292
Increase in expected credit losses	(926 644)	(926 644)
Accumulated funds restated	732 602 947	635 449 648

The prior year consolidated results were not adjusted upon completion of the financial statements with an expected credit loss increase on the RA Gilbert Proprietary Limited 2021 results, due to the value being below the materiality threshold. As a result, the comparative figures for the current year have not been adjusted. The impact of the adjustment, had it been done on the statement of financial position are reflected above.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

28. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of changes in the equity market price, interest rates and liquidity risk. The Group'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.

Risk management and investment decisions are carried out by the Investment Committee, under the guidance and policies approved by the Board of Trustees.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

The Group limits its exposure to credit risk by only investing in liquid securities and only with high credit quality financial institutions. The Group has a policy of limiting the amount of credit exposure to any one financial institution. Given these high credit ratings, management does not expect any financial institution to fail to meet its obligations.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's principal financial assets are cash and cash equivalents, trade and other receivables and investments. The Group's credit risk is primarily attributable to its trade and other receivables.

The credit quality of financial assets that are neither past due nor impaired can be assessed by historical information about counterparty default rates.

Trade and other receivables

Counterparties without external credit rating include:

Contribution debtors

On analysing the credit quality of contribution debtors fully performing, the Scheme effectively collected 99% of these amounts in January 2023. This indicates a high quality relating to these debtors. Consequently, no additional disclosure of the credit quality is provided.

Other debtors

On analysing the credit quality of other debtors, the Group is likely to collect 100% of these amounts over the agreed periods in 2023. Consequently, no additional disclosure of the credit quality is provided.

Exposure to credit risk

The carrying amount of financial assets that is past due but not impaired amounts to R9 978 133 (2021 R4 796 109) and impaired amounts to R2 523 896 (2021: R2 809 578).

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

28. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Exposure to credit risk (Continued)

The maximum exposure to credit risk at the reporting date was:

	Non – financial instruments R	Fully performing R	Past due but not impaired R	Total financial instruments R
2022				
Insurance receivables				
– Current	–	2 888 396	–	2 888 396
– 30 days	–	–	507 654	507 654
– 60 days	–	–	221 491	221 491
– 90 days	–	–	108 296	108 296
– 120 days	–	–	39 575	39 575
Other risk transfer arrangements				
– Share of outstanding claims provision	–	1 129 271	–	1 129 271
Accrued interest on investments	–	917 678	–	917 678
Other receivables	1 221 721	39 582 877	9 101 118	48 683 995
Cash and cash equivalents	–	526 340 803	–	526 340 803
Investments	–	436 970 614	–	436 970 614
Total	1 221 721	1 007 829 639	9 978 134	1 017 807 773
2021				
Insurance receivables				
– Current	–	1 841 137	–	1 841 137
– 30 days	–	–	579 168	579 168
– 60 days	–	–	768 646	768 646
– 90 days	–	–	143 150	143 150
– 120 days	–	–	53 894	53 894
Other risk transfer arrangements				
– Share of outstanding claims provision	–	955 122	–	955 122
Accrued interest on investments	–	592 388	–	592 388
Other receivables	31 985	52 649 619	3 251 251	55 900 870
Cash and cash equivalents	–	434 216 165	–	434 216 165
Investments	–	407 609 058	–	407 609 058
Total	31 985	897 863 489	4 796 109	902 659 598

Insurance and other receivables outstanding were impaired by R2 523 895 (2021: R2 809 577).

Refer to note 6 for a comprehensive reconciliation of the impairment amount.

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

28. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Instrument analysis

Asset class	Top 5 Holdings	Fitch Ratings (long term)	% of Portfolio
2022			
Cash (As a percentage of the Scheme's cash portfolio)	First Rand Bank	BB- (zaf)	31.75
	Standard Bank	BB- (zaf)	41.30
	Nedbank	BB- (zaf)	6.03
	Investec	BB- (zaf)	19.38
	Absa	BB- (zaf)	0.95
	SAFEX	–	0.59
Equity (As a percentage of the Allan Gray investment portfolio)	Anheuser-Busch	BBB+	1.80
	British American Tobacco	BBB	3.38
	Glencore	BBB+	3.00
	Woolworths	BBB	1.66
	Nedbank Group	BB-	1.62
2021			
Cash (As a percentage of the Scheme's cash portfolio)	First Rand Bank	BBB- (zaf)	42.16
	Standard Bank	BBB- (zaf)	2.71
	Nedbank	BBB- (zaf)	1.02
	Investec	BBB- (zaf)	54.03
	Absa	BBB- (zaf)	0.00
	SAFEX	–	0.08
Equity (As a percentage of the Allan Gray investment portfolio)	Anglo Gold Ashanti	BBB-	1.61
	British American Tobacco	BBB	3.25
	Glencore	BBB+	3.44
	Woolworths	BBB	1.60
	Nedbank Group	BB-	1.58

Qualitative disclosures

Financial investments

Cash and cash equivalents

Credit risks are contained by adhering to the Medical Schemes Act 131 of 1998, as amended, by not investing more than 35% of aggregate fair value of total assets of the Scheme in large banks and 10% of total assets of the Scheme in smaller banks. Platinum Health did adhere. The above percentages disclosed are a percentage of the total cash and not total assets. The net qualifying capital and reserves are monitored on a monthly basis to determine the split between large and small banks.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

28. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Qualitative disclosures (Continued)

Financial investments (Continued)

Investments

Funds are invested at various institutions after taking the following criteria into account:

- The Scheme's mandate requirements;
- Regulations as per the Medical Schemes Act 131 of 1998, as amended;
- Credit ratings of the various institutions; and
- Interest rates offered by the institutions.

Trade and other receivables

The amounts presented in the statement of financial position for trade and other receivables are net of allowances for impaired receivables. The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. This allowance is made where there is an identified loss event which, based on previous experience is evidence of a reduction in the recoverability of the cash flows.

Trade and other receivables consist of contributions outstanding, recoveries from members for co-payments and provider debt.

1. *Contributions outstanding*

Outstanding contributions arise due to:

- Addition of dependants
- Income band changes
- Non-payment for new members
- Change in contribution rates

The above is managed by applying the Group's Credit Control Policy. Membership is either suspended or terminated for outstanding contributions.

The application thereof assists in managing the Group's financial risk. The procedure as set out in the policy is communicated to both the member and payroll departments prior to suspension or termination of membership.

There are no variances in application of policy from the previous years.

2. *Recoveries from members for co-payments*

The debt may arise due to the following:

- Co-payments not recovered before the services are rendered
- Dispensing of chronic medication to members outside the area via courier

The above is managed by applying the Group Credit Control Policy. Dispensing of medication and rendering of further services are suspended until outstanding co-payments are fully recovered. The application thereof assists in that the Group's financial risk is managed. The outstanding co-payments are followed up and members are informed that services will not be rendered until full co-payments are settled.

There are no variances in application of policy from the previous years.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

28. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Qualitative disclosures (Continued)

Financial investments (Continued)

3. *Provider debt*

The debt may arise due to the following:

- Reversals done incorrectly
- Paying the healthcare professional directly instead of the member
- Overpayment of claims
- Members returning appliances i.e. hearing aids, spectacles etc.
- Non-dispensing of scripts
- Claims erroneously submitted by healthcare professional (member did not consult doctor)
- Healthcare professional claiming on incorrect membership number or incorrect dependant
- Duplicated claim
- Claim paid on incorrect practice number
- Incorrect chargeable codes paid
- Claim paid for treatment after membership terminated

The above is managed by applying the Scheme's Credit Control Policy.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 Group has the ability to fund its day-to-day operations.

The Scheme has not complied with certain requirements regarding the nature and categories of assets as prescribed by Section 35 in Regulation 30 of the Medical Schemes Act 131 of 1998 as amended. (Please refer to Note 33)

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

28. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

The table below analyses the financial assets and liabilities of the Group into relevant maturity groupings based on the remaining period at reporting date to contractual maturity date.

As at 31 December 2022	Up to 1 month R	2 – 3 months R	4 – 12 months R	1 – 5 years R	Over 5 years R	Total R
ASSETS						
Assets	1 013 292 675	729 145	3 785 953	–	–	1 017 807 773
Trade and other receivables	49 981 258	729 145	3 785 953	–	–	54 496 356
Investments held at fair value through profit or loss	436 970 614*	–	–	–	–	436 970 614*
Cash and cash equivalents	526 340 803	–	–	–	–	526 340 803
Total assets	1 013 292 675	729 145	3 785 953	–	–	1 017 807 773
LIABILITIES						
Liabilities	160 060 572	10 541 550	71 178 852	61 203 457	9 170 113	312 154 544
Trade and other payables	123 564 017	–	64 216 957	–	–	187 780 974
Outstanding claims provision	36 496 555	10 541 550	6 961 895	–	–	54 000 000
Lease liabilities	–	–	–	61 203 457	9 170 113	70 373 570
Total liabilities	160 060 572	10 541 550	71 178 852	61 203 457	9 170 113	312 154 544
As at 31 December 2021						
ASSETS						
Assets	897 863 489	1 347 814	3 448 295	–	–	902 659 598
Trade and other receivables	56 038 266	1 347 814	3 448 295	–	–	60 834 375
Investments held at fair value through profit or loss	407 609 058*	–	–	–	–	407 609 058*
Cash and cash equivalents	434 216 165	–	–	–	–	434 216 165
Total assets	897 863 489	1 347 814	3 448 295	–	–	902 659 598
LIABILITIES						
Liabilities	167 448 477	14 622 490	39 658 613	60 358 481	24 259 794	306 347 855
Trade and other payables	146 622 956	–	7 186 624	–	–	153 809 580
Outstanding claims provision	20 825 521	14 622 490	32 471 989	–	–	67 920 000
Lease liabilities	–	–	–	60 358 481	24 259 794	84 618 275
Total liabilities	167 448 477	14 622 490	39 658 613	60 358 481	24 259 794	306 347 855

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

28. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

* The investment in Allan Gray is classified as non-current due to the long-term nature of the investment strategy, although it can be disposed of immediately without maturing restrictions. The Group have performed the aging of the underlying assets that make up the investment below.

	Up to 1 month R	2 – 3 months R	4 – 12 months R	1 – 5 years R	Over 5 years R	Total R
As at 31 December 2022						
Investments held at fair value through profit or loss	42 218 579	3 235 549	62 674 093	328 842 393	–	436 970 614
As at 31 December 2021						
Investments held at fair value through profit or loss	8 588 044	6 459 772	12 184 697	380 376 546	–	407 609 058

Market risk

Investments

Market risk is defined by IFRS 7 as “the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices”. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk.

Market risk is the risk that changes in market prices, such as interest rates and equity investment prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment. The Group has an asset manager and an investment advisor who manages their funds in order to manage market risk.

Although trade and other receivables are an asset class, none of the market risks affect trade or contribution debtors, as they are non-interest bearing and not foreign exchange related.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

All the Group's assets are rand-denominated and therefore the Group does not have any currency risk.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

28. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's investment policy during the year under review included holding investments in interest bearing instruments and there were no changes in the way it manages its risks on cash. The Group's investments were therefore exposed to changes in the market interest rates. The objective of the Group is to optimise its return on cash and to limit its exposure to losses. This risk is managed by maintaining an appropriate mix between fixed and floating rate deposits within the market.

Returns on interest-bearing instruments increased during the current year due to higher interest rates.

Interest rate sensitivity

	Increase/decrease in interest rate	Effect on surplus for the year R
2022		
Call accounts	1%	5 169 184
Short term investments	1%	3 186 981
Current accounts	1%	88 342
2021		
Call accounts	1%	4 241 976
Short term investments	1%	2 501 266
Current accounts	1%	99 957

The table above summarises the Group's exposure to interest rate risk. The sensitivity calculation calculates the impact on surplus for the year if the interest rate increases/decreases by the variable stated.

Sensitivity analysis - All interest-bearing instruments

Basis

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of the investment performance. For 2023 it is expected that the interest rate will have an upward trend of 1% (2022: 2% upward) to control inflation and that the income generation on financial instruments will increase. A 1% movement suggests the closing market value could have been R445 710 026 if the investment performance had been higher by 1% during 2022 as compared to the market investment performance.

A two percent decrease in the investment return at the reporting date would have decreased the income by R932 303 (2021: R297 814); an equal change in the opposite direction would have increased income by R932 303 (2021: R297 814).

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

28. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

Investments

Allocation

Asset managers	Mandate	Investment vehicle	R	%
2022				
Platinum Health Medical Scheme	Liquidity/cash *		526 340 803	54.64
Allan Gray	Medical Scheme Portfolio	Pooled	436 970 614	45.36
2021				
Platinum Health Medical Scheme	Liquidity/cash *		434 216 165	51.58
Allan Gray	Medical Scheme Portfolio	Pooled	407 609 058	48.42

* Includes the current account and call account.

Price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

All the Scheme's equity investments within the Allan Gray Life Domestic Stable Portfolio are listed on the Johannesburg Stock Exchange. The Group is therefore exposed to changes in the market price. The Group's investment administrator actively manages these risks to optimise return and to limit exposure to unacceptable risks or losses.

Sensitivity analysis - Equity

Basis

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of the investment performance. Market volatility cannot be predicted, and are influenced by numerous factors, which may result in an upward or downward market performance, as has been experienced during the COVID-19 pandemic and the subsequent high global inflationary environment. The invested funds target capital preservation and investment returns which are reinvested. It is anticipated to result in a moderate market growth, following the recovery during 2021 and marginal growth in 2022. The electricity supply and availability in South Africa and the expected negative implications to the economy could potentially hamper growth. Assuming the market maintains the 2022 JSE ALSI growth rate of 3%, will result in the equity portfolio held to increase by R3 548 176 to R121 820 718.

Should companies start declaring higher dividends, following the COVID-19 recovery during 2023, which may increase the dividend yield by 1% (2022 2%), it will result in a change in the investment return at the reporting date increasing the surplus or deficit by R85 829 (2021: R107 758); an equal change in the opposite direction would have decreased income by R85 829 (2021: R107 758).

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

28. FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity analysis - Equity (Continued)

Investment risk and investment return

The Group's investment philosophy is capital preservation above maximum return requirements. Seeking higher investment returns is typically associated with taking additional risk through exposure to asset classes such as equities and bonds where the capital is at risk. Additional investment risk is typically associated with higher variability in asset prices. Also, the extent to which actual investment returns may differ from expected returns is greater. Fair values are calculated with reference to quoted market prices.

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

	Financial assets at fair value through profit or loss Designated upon initial recognition R	Financial assets at amortised cost R	Financial liabilities at amortised cost R	Total carrying amount R	Fair value amount R
2022					
Investments	436 970 614	–	–	436 970 614	436 970 614
Cash and cash equivalents	–	526 340 803	–	526 340 803	526 340 803
Trade and other receivables	–	54 496 356	–	54 496 356	54 496 356
Outstanding claims provision	(54 000 000)	–	–	(54 000 000)	(54 000 000)
Trade and other payables	–	–	(186 287 847)	(186 287 847)	(186 287 847)
	382 970 614	580 837 159	(240 287 847)	777 519 926	777 519 926
2021					
Investments	407 609 058	–	–	407 609 058	407 609 058
Cash and cash equivalents	–	434 216 165	–	434 216 165	434 216 165
Trade and other receivables	–	60 834 375	–	60 834 375	60 834 375
Outstanding claims provision	(67 920 000)	–	–	(67 920 000)	(67 920 000)
Trade and other payables	–	–	(153 809 580)	(153 809 580)	(153 809 580)
	339 689 058	495 050 540	(221 729 580)	680 930 018	680 930 018

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

29. FUND ADEQUACY

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

The Group considers its investment (Investments: R437m) and cash assets (Trade and other receivables: R56m Cash and cash equivalents: R526m) as capital and has adequate policies and controls in place to manage its capital to obtain maximum return on its capital with an acceptable risk related to the investments.

The Group's objective is to manage its capital in such a way that sufficient funds are available to pay claims, both in the current and future years and there were no changes in the way the Group manages its capital. This is achieved whilst keeping annual contribution increase to members as low as possible, or at least in line with the employer salary increases. Claims expenditure is managed by means of changes in benefit design and other managed care interventions to maintain a positive claim ratio.

Returns on investments are utilised to fund possible deficits that might occur as a result of operational and/or healthcare losses.

	2022	2021
Solvency margin	40%	39%

The required minimum set by the Council for Medical Schemes is 25% of gross contributions from members.

30. RELATED PARTY TRANSACTIONS

(a) Parties with significant impact over the Group

The employer of a large number of the members, Anglo American Platinum Ltd and its subsidiaries and associates, do not control the Group, however they do have a significant influence on Platinum Health Medical Scheme by virtue of appointing three of the fourteen trustees.

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

30. RELATED PARTY TRANSACTIONS (Continued)	2022	2021
	R	R
(a) Parties with significant impact over the Group (Continued)		
<i>Statement of comprehensive income</i>		
RA Gilbert Proprietary Limited (Note 34)	(231 923 335)	(251 185 995)
– Management fee paid to Platinum Health Medical Scheme	328 690	313 044
– Rentals paid by Platinum Health Medical Scheme	(979 565)	(964 986)
– Medicine costs paid by Platinum Health Medical Scheme	(231 272 460)	(250 534 053)
 Rustenburg Platinum Mines Limited	 (97 607)	 (266 111)
– Venue and catering services rendered to Platinum Health Medical Scheme	(93 107)	(143 911)
– Management fee (paid) / reversed by Group	(4 500)	(122 200)
 Anglo American Platinum Limited		
– Contribution subsidy paid on behalf of employees	356 576 412	321 757 203
 Platmed Proprietary Limited		
– Pharmacy stock purchased from Platinum Health Medical Scheme	6 615 977	10 898 685
<i>Statement of financial position</i>		
 Platmed Proprietary Limited		
– Overhead costs paid (on behalf of) / by Platinum Health Medical Scheme	4 884 207	(165 546)
 R A Gilbert Proprietary Limited		
– Medicines purchased on behalf of Platinum Health Medical Scheme	(30 189 498)	(26 723 889)
 Rustenburg Platinum Mines Limited		
– Shortfall contributions paid on behalf of ex-employees	592 292	
– Contributions not yet deducted from employees	953 184	919 404
– Contributions paid in advance on behalf of employees	(1 596 457)	(1 020 477)

The Scheme and RA Gilbert Proprietary Limited have entered into an agreement where RA Gilbert Proprietary Limited procures pharmaceuticals and sells these to the Scheme, with the Scheme administering the business on its behalf at an agreed fee.

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022(Continued)**

30. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel

The Board of Trustees and the Principal Officer have the authority, as well as the responsibility for planning, directing and controlling the activities of Platinum Health Medical Scheme. The Board of Trustees are not compensated for expenses incurred while fulfilling their roles of the Group other than stated below. The Principal Officer's salary is disclosed in Note 19.

	2022	2021
	R	R
<i>Statement of comprehensive income</i>		
Key management remuneration	37 860 431	34 311 132
Short term employee benefits	30 903 454	29 190 442
Other long-term benefits	6 956 977	5 120 690
Contributions received from Key management and Trustees	1 498 053	1 207 760
Claims incurred by Key Management and Trustees	(3 063 908)	(3 973 883)
Trustee's expenses		
Mr C Smith – Disbursements	39 193	30 013
Dr C Mbekeni – Disbursements	19 070	4 137
Mr P Krause – Disbursements	21 492	18 444
Ms L Roets – Disbursements	–	1 340
Mr S Pheto – Disbursements	26 133	121 285
Mr K Kokohlabang – Disbursements	30 248	118 978
Mr D Noko – Disbursements	72 997	122 936
Mr J Hlangweni – Disbursements	82 193	112 255
Mr P Maimela – Disbursements	75 783	108 276
Mr P Malamula – Disbursements	57 791	65 095
Mr B Molefe – Disbursements	46 848	64 541
Mr M Malatji – Disbursements	47 954	–
Mr I Osman – Disbursements	57 612	18 444
Mr W McCarthy – Disbursements	21 289	14 306
Mr P Coetzer – Disbursements	35 088	14 306
Mr D McDonald – Disbursements	19 581	2 320
Mr S Mkhonto – Disbursements	43 641	30 013
	696 913	816 676

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

30. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel (continued)

All transactions with the trustees, conducted in accordance with the Rules of the Scheme as well as provisions of the Act, are concluded at arm's length.

The trustees attended the Board of Health Care Funders conference and training and all expenses were paid for by the Group. Trustees who opted to receive a cell phone allowance of R171 (2021: R160) per month and a meeting attendance allowance of R139 (2021: R100) are remunerated accordingly.

Terms and conditions of agreement

Neither the trustees nor their beneficiaries were party to or had interest in any of the Group's agreements in existence during the current or previous year, except for their individual membership agreements with the Scheme.

(c) Terms and conditions of the related party transactions

(a) *Contribution subsidy*

This constitutes the subsidy portion on contributions paid by the related party for their employees that are members of the Scheme, in their individual capacity.

(b) *Contributions receivable*

This constitutes outstanding contributions payable. The amounts are due immediately, are non-interest bearing and unsecured.

(c) *Contributions subsidy received in advance*

This constitutes contribution subsidy received in advance and amounts owing to the related parties to which the parties have a right. No interest is applied to these balances. The amounts would need to be refunded to the member on demand or where the member exits the Scheme.

(d) *Expense disbursements*

Fees and expenses paid to the Principal Officer and executive committee members of the Board and expenses paid to a trustee, which constitutes expenses incurred in the fulfilling of their respective roles as trustees.

(e) *Investment management fees*

Fees paid to Allan Gray for the management of cash and cash equivalents on behalf of the Scheme.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

31. MEDICAL 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 loss from members and their dependants that are directly subject to the risk. These risks relate to the health of the Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities.

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

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

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

The following table summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred (before and after risk transfer arrangements), by age group and in relation to the type of risk covered / benefits provided. Where appropriate prescribed minimum benefits (PMB) and non-PMB claims have been split:

Age grouping (in years)		In-hospital		Chronic		Day to day R (000)	Total R (000)	
		PMB R (000)	Non PMB R (000)	PMB R (000)	Non PMB R (000)			
2022								
	< 25	Gross	58 307	21 534	6 001	16 151	87 294	189 287
		Net	57 738	21 338	5 637	15 450	76 654	176 816
25 – 39	Gross	81 243	39 137	23 312	26 887	184 505	355 084	
	Net	79 761	38 790	22 734	25 636	169 257	336 178	
40 – 55	Gross	99 112	49 076	71 981	26 786	178 776	425 731	
	Net	98 457	48 573	69 996	25 148	163 211	405 385	
56 – 69	Gross	69 543	26 467	42 428	16 131	98 424	252 993	
	Net	69 017	26 335	40 349	14 812	88 826	239 339	
> 69	Gross	26 396	7 710	9 158	5 777	31 146	80 187	
	Net	26 315	7 695	8 663	5 245	28 071	75 989	
	Gross	334 601	143 924	152 880	91 732	580 145	1 303 282	
	Net	331 288	142 731	147 379	86 291	526 019	1 233 708	

Movements in outstanding claims provision (Note 12)	54 000
Claims related to risk transfer arrangements (Note 16)	9 999
Total	1 297 707

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

31. MEDICAL INSURANCE RISK MANAGEMENT (Continued)

Age grouping (in years)		In-hospital		Chronic		Day to day R (000)	Total R (000)
		PMB R (000)	Non PMB R (000)	PMB R (000)	Non PMB R (000)		
2021							
< 25	Gross	54 317	20 061	5 590	15 045	81 321	176 334
	Net	53 787	19 878	5 251	14 393	71 408	164 717
25 – 39	Gross	75 683	36 459	21 717	25 047	171 880	330 786
	Net	74 303	36 135	21 178	23 882	157 675	313 173
40 – 55	Gross	92 330	45 717	67 056	24 953	166 543	396 599
	Net	91 720	45 249	65 207	23 427	152 043	377 646
56 – 69	Gross	64 785	24 656	39 524	15 027	91 689	235 681
	Net	64 294	24 533	37 588	13 799	82 748	222 962
> 69	Gross	24 590	7 183	8 531	5 382	29 014	74 700
	Net	24 515	7 169	8 070	4 886	26 150	70 790
	Gross	311 705	134 076	142 418	85 454	540 447	1 214 100
	Net	308 619	132 964	137 294	80 387	490 024	1 149 288

Movements in outstanding claims provision (Note 12)	67 920
Claims related to risk transfer arrangements (Note 16)	8 586
Total	<u>1 225 794</u>

In-hospital benefits cover all costs incurred by members, whilst 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 (up to 100% of the Platinum Health Medical Scheme referenced price list tariff) of out of hospital medical attention, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines.

The Scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over several 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, the preferred target market and demographic split thereof.

All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal. Management information including contribution income and claims ratios by option, target market and demographic split, is reviewed monthly.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

31. MEDICAL INSURANCE RISK MANAGEMENT (Continued)

Risk in terms of risk transfer arrangements

When selecting a supplier, the Scheme considers their relative security. The security of the supplier is assessed from public rating information and from internal investigations (such as considering fund adequacy, solvency, capacity and appropriate resources).

Benefits and associated contributions are calculated considering the “Schemes risk concentrations”, changes in utilisation based on historical data and inflationary increases.

The Scheme considers its risk to be concentrated in the following areas:

Hospital benefits

Hospital claims represents the Schemes most significant expense and there is a risk that the actual claims incurred in respect of hospital costs for any benefit year, could be adversely more than the expectation.

Medicine benefits

Medicine claims are affected by continued legislative changes and there is a risk that the actual claims incurred, as a result, may increase or decrease medicine costs more or less than expected.

Specialist costs

Specialist costs are directly affected by member’s health profiles and there is a risk that the actual claims incurred, as a result, may increase more than expected.

Pensioner ratio

Based on historical data, pensioner members are regarded as the high claimers of medical benefits. Due to the significant influence of pensioners and the Scheme’s arrangement with employer companies, the pensioner levels could increase more than anticipated, which could result in greater claims expenditure than expected.

Claims development

The claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within 1 year.

Quantitative risk factors

The effects of the changes in the risk areas identified are set out below. Each change in the criteria represents the impact on the 2023 and 2022 budget that was approved by the Board of Trustees.

The most significant risk mitigation tool of the Scheme is, however, its reserve base. The current solvency margin of 40% (2021: 39%) represents sufficient income for the Scheme to continue as a going concern.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

31. MEDICAL INSURANCE RISK MANAGEMENT (Continued)

Quantitative risk factors (Continued)

Instrument analysis

	Total approved budget for area	Sensitivity 1 @ 1% increase – claims (Increase)/ decrease	Sensitivity 2 @ 2% increase – claims (Increase)/ decrease
Impact of increased utilisation on the approved budget	R	Impact of alternative %	Impact of alternative %
2022			
<i>Inflation assumptions</i>			
(a) Hospitalisation costs			
– Budget scenario – 7.0%	518 082 917	8.0%	9.0%
– Effect on claims – R		5 180 829	10 361 658
– Effect on solvency – %		(0.28)/0.28	(0.56)/0.56
(b) Medicine costs			
– Budget scenario – 7.0%	323 155 438	8.0%	9.0%
– Effect on claims – R		3 231 554	6 463 109
– Effect on solvency – %		(0.18)/0.18	(0.36)/0.36
(c) Specialist costs			
– Budget scenario – 7.5%	180 165 514	8.5%	9.5%
– Effect on claims – R		1 801 655	3 603 310
– Effect on solvency – %		(0.10)/0.10	(0.20)/0.20
(d) Continuation members' ratio			
– Budget scenario – 3.3%	3.3%	4.3%	5.3%
– Effect on claims – R		1 158 524	2 317 048
– Effect on solvency – %		(0.08)/0.08	(0.16)/0.16
2021			
<i>Inflation assumptions</i>			
(a) Hospitalisation costs			
– Budget scenario – 6.4%	471 124 635	6.3%	7.3%
– Effect on claims – R		4 711 246	9 422 493
– Effect on solvency – %		(0.29)/0.29	(0.58)/0.58
(b) Medicine costs			
– Budget scenario – 5.4%	313 990 963	6.3%	7.3%
– Effect on claims – R		3 139 910	6 279 819
– Effect on solvency – %		(0.19)/0.19	(0.38)/0.38
(c) Specialist costs			
– Budget scenario – 6.9%	158 376 102	6.8%	7.8%
– Effect on claims – R		1 583 761	3 167 522
– Effect on solvency – %		(0.10)/0.10	(0.20)/0.20
(d) Continuation members' ratio			
– Budget scenario – 4.1%	3.9%	4.9%	5.9%
– Effect on claims – R		1 078 825	2 157 650
– Effect on solvency – %		(0.08)/0.08	(0.16)/0.16

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

31. MEDICAL INSURANCE RISK MANAGEMENT (Continued)

Operational risks

The impact of the implementation of the NHI (National Health Insurance) is regularly monitored by the Board of Trustees in conjunction with the administrators and legislation applied by government.

The Board of Trustees regularly performs a risk assessment of the Scheme. The key operational risks identified at the last assessment were as follows:

- pandemics;
- outstanding contracts;
- changes in demographics in the mining industry; and
- trade union dynamics.

32. CONTINGENT ASSET

Road Accident Fund (RAF)

A contingent asset exists that arises from a past event (the accident that took place). The existence of this asset will only be confirmed by the occurrence or non-occurrence of one or more future events (the results from the RAF). The results from the RAF are not wholly within the control of the Scheme.

Schedules of claims to the value of R54 575 004 (2021: R29 951 393) were provided to the lawyers who were appointed by the members for inclusion in the claim to be lodged against the RAF.

33. SUBSEQUENT EVENTS

There are no significant events after the reporting date which requires disclosure or adjustment to the annual financial statements.

34. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 of 1998.

The following areas of non-compliance of the Medical Schemes Act 131, 1998 were identified during the course of the year:

(1) Investments in employer and administrator companies

Nature and cause of non-compliance

In terms of the Medical Schemes Act and specifically Section 35 8(a) it is a requirement that a medical scheme shall not invest any of its assets in the business of or grant loans to an employer who participates in the Medical Scheme, or any administrator or any arrangement associated with the Medical Scheme. As per the explanatory Note 8 to Annexure B in terms of the Medical Schemes Act, compliance is tested on a look-through principle. Therefore, if the Scheme has invested in a pooled fund/collective investment Scheme which has invested some of their assets in the Scheme's employer group, the Scheme is non-compliant to the requirements of section 35(8).

The following investments are held indirectly in employer companies at year end through Allan Gray pooled funds:

	2022	2021
	R	R
• Northam Platinum Limited	8 223 487	10 719 616

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

34. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 of 1998 (Continued)

The following investments are held indirectly in administrator companies at year end through Allan Gray pooled funds:

(1) **Investments in employer and administrator companies** (Continued)

- MMI Holdings Ltd - 405 367

Possible impact of non-compliance

The contravention of the Act will have an insignificant impact on the Scheme as the amounts invested in employer companies and administrator companies are immaterial and the Scheme has no influence over the investment decision. The Council for Medical Schemes have not imposed any penalties on these contraventions.

Corrective course of action adopted to ensure compliance, including the timing of the corrective action

Compliance with the Medical Scheme Act should always be considered when investments are made by the Scheme or by the portfolio managers. If not in compliance, the Registrar should be informed immediately. The Scheme has no direct or indirect influence over the Allan Gray investment strategies as the pooled funds.

are invested to optimise return on investment for the entire portfolio. A letter confirming the exemption from investing in employer group and medical scheme administrators through asset managers where such investment choices are not influenced by the Scheme was received from the Council for Medical Schemes for a period of 3 years, commencing 1 December 2022.

(2) **3 Day rule – contributions not received in 3 days from becoming payable**

Nature and cause of non-compliance

In terms of the Medical Schemes Act and specifically Section 26 (7) contributions should be received in accordance with the rules of the Scheme. The rules indicate that contributions should be received no later than the third day of each month. As at 31 December 2022, there were contribution debtors outstanding for more than 30 days to the amount of R1 120 508 (2021: R1 687 200). This amount represents about 1% of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Medical Schemes Act.

Possible impact of non-compliance

The contravention of the Act may result in the Council for Medical Schemes imposing penalties for the non-compliance.

Corrective course of action adopted to ensure compliance, including the timing of the corrective action

The Scheme continually strives to have all membership changes updated before the following contribution run. Due to the nature of the membership movement, and the communication process between the employer's administrators on the one hand and the Scheme on the other, this is not always possible.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

35. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group generate revenue in terms of IFRS 15 primarily from the sale of medicines to its customers.

	2022 R	2021 R
Revenue from contracts with customers	231 272 460	250 534 053
Total Revenue	231 272 460	250 534 053

The entire operational business of RA Gilbert was transferred into the Scheme on 1 January 2021 due to operational and business requirements and to obtain maximum scale of benefits within the Scheme.

Performance obligation and revenue recognition policies:

Revenue is measured on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Nature and timing of the satisfaction of performance obligations, including significant payments terms:

The performance obligation in relation to the sale of medicines is the transfer of medicines to the customer. Customers obtains control of the medicine products at the point of sale where the product changes hands, therefore the performance obligation is satisfied at a point in time. The invoice is generated and becomes payable at the point of sale; therefore, no significant financing component exists in these contracts.

No discounts are provided on the sale of medical products. There are no contracts that permit the customer to return an item.

Revenue Recognition Policies:

Revenue is recognised when the goods are presented to and are accepted by the customer. Therefore, the full amount of revenue is recognised at the point of sale.

36. GOING CONCERN

The Board of Trustees are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the annual consolidated financial statements.

The Board of Trustees are of the opinion that the annual consolidated financial statements fairly present the financial position of the Group as at 31 December 2022, and the results of its operations and cash flow information for the year then ended.

PLATINUM HEALTH MEDICAL SCHEME

**DETAILED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	Plat Comprehensive R	Plat Cap R	Plat Freedom R	Total R
2022 AUDITED					
Gross contribution income		1 681 707 880	46 717 770	92 218 612	1 820 644 262
Total net claims incurred		(1 580 305 210)	(23 882 992)	(64 674 480)	(1 668 862 282)
Gross claims reported and/or paid for risk carried by the Scheme		1 520 392 762	23 155 210	62 444 561	1 605 992 533
– Direct claims for the period	Actual	1 047 232 413	8 542 609	56 818 741	1 112 593 763
– Direct benefits for the previous period (Note 12)	1	44 799 247	594 418	2 152 753	47 546 418
– Direct benefits reported not paid	1	67 467 440	1 991 918	3 397 200	72 856 558
– Net expenses from other risk transfer arrangements		3 436 720	115 110	–	3 551 830
– Managed care: management services		402 267	3 803	20 978	427 048
– Services rendered in own facilities	Actual	357 054 675	11 907 352	54 889	369 016 916
Movement in outstanding claims provision		50 237 665	403 145	2 229 919	52 870 729
– Over / (under) provision in prior year	1	18 249 978	442 412	726 070	19 418 460
– Adjustment for current year	1	31 987 687	(39 267)	1 503 849	33 452 269
Total claims paid for risk carried by Scheme		1 570 630 427	23 558 355	64 674 480	1 658 863 262
Gross claims reported and/or paid for in respect of related risk transfer arrangements					
– Direct claims for the period	1	9 674 783	324 637	–	9 999 420
Total claims paid for by related risk transfer arrangements		9 674 783	324 637	–	9 999 420

PLATINUM HEALTH MEDICAL SCHEME

**DETAILED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

2022	Note	Plat Comprehensive R	Plat Cap R	Plat Freedom R	Total R
AUDITED (Continued)					
Managed care – management services		(16 454 202)	(451 454)	(862 252)	(17 767 908)
Management fees		(2 470 050)	(82 803)	(127 271)	(2 680 124)
Administration expenses	1	(100 348 347)	(3 360 539)	(5 169 518)	(108 878 403)
Own facility surplus		22 366 403	749 789	1 152 446	24 268 638
Net impairment losses	1	(1 263 416)	(42 594)	(65 169)	(1 371 179)
Investment income	2	42 645 462	7 284 417	5 912 709	55 842 588
Fair value adjustment	2	(2 783 457)	(475 562)	(385 990)	(3 645 009)
Impairment loss recovery		536 085	18 095	27 495	581 676
Finance costs	Actual	(3 075 319)	(103 094)	(53 259)	(3 231 672)
Profit on sale of assets		75 038	3 379	4 083	82 500
Sundry expenses		(1 169)	(39)	–	(1 208)
Taxation		–	–	–	–
Other income		2 001 588	67 099	103 133	2 171 820
Net surplus for the year		42 631 286	26 441 473	28 080 540	97 153 299
 Strength		 96 836	 2 859	 4 876	 104 571

(2022: Number of beneficiaries at year end)

Note

1. Total claims are allocated on actual claims for the respective options.
2. Other operating income and expenses are apportioned based on members' strength.

PLATINUM HEALTH MEDICAL SCHEME

**DETAILED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	Plat Comprehensive R	Plat Cap R	Plat Freedom R	Total R
2021 AUDITED					
Gross contribution income		1 481 134 866	49 063 516	79 943 542	1 610 141 924
Total net claims incurred		(1 464 501 789)	(30 704 559)	(56 797 433)	(1 552 003 781)
Gross claims reported and/or paid for risk carried by the Scheme		1 393 196 074	29 338 556	53 918 610	1 476 453 240
– Direct claims for the period	Actual	998 914 472	14 370 995	49 921 746	1 063 207 213
– Direct benefits for the previous period (Note 12)	1	31 701 273	938 816	1 501 072	34 141 161
– Direct benefits reported not paid	1	47 511 418	1 612 831	2 475 288	51 599 537
– Net expenses from other risk transfer arrangements		2 767 443	108 358	–	2 875 801
– Managed care: management services		419 741	6 848	20 504	447 093
– Services rendered in own facilities	Actual	311 881 727	12 300 708	–	324 182 435
Movement in outstanding claims provision		63 049 225	1 036 830	2 878 823	66 964 878
– Over provision in prior year	1	10 518 412	(219 243)	75 039	10 374 208
– Adjustment for current year	1	52 530 813	1 256 073	2 803 784	56 590 670
Total claims paid for risk carried by Scheme		1 456 245 299	30 375 386	56 797 433	1 543 418 118
Gross claims reported and/or paid for in respect of related risk transfer arrangements					
– Direct claims for the period	1	8 256 490	329 173	–	8 585 663
Total claims paid for by related risk transfer arrangements		8 256 490	329 173	–	8 585 663

PLATINUM HEALTH MEDICAL SCHEME

**DETAILED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION
FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

	Note	Plat Comprehensive R	Plat Cap R	Plat Freedom R	Total R
2021 AUDITED (Continued)					
Managed care – management services		(13 218 151)	(459 525)	(686 576)	(14 364 252)
Management fees		(2 209 691)	(87 672)	(115 710)	(2 413 073)
Administration expenses	1	(88 223 801)	(3 500 368)	(4 619 839)	(96 344 008)
Own facility surplus		33 644 881	1 334 895	1 761 814	36 741 590
Net impairment losses	1	(817 220)	(32 424)	(42 794)	(892 438)
Investment income	2	29 060 579	3 766 602	2 713 970	35 541 151
Fair value adjustment	2	30 304 587	3 927 840	2 830 148	37 062 575
Impairment loss recovery		120 376	4 781	6 291	131 448
Finance costs	Actual	(1 777 692)	(70 532)	(31 385)	(1 879 609)
Profit on sale of assets		127 705	5 751	6 948	140 404
Sundry expenses		(554)	(22)	–	(576)
Taxation		(1 864 336)	(73 966)	–	(1 938 302)
Other income		100 328	3 981	5 254	109 563
Net surplus for the year		1 880 088	23 178 298	24 974 230	50 032 616
Strength		90 290	3 065	4 704	98 059

(2021: Number of beneficiaries at year end)

Note

- Total claims are allocated on actual claims for the respective options.
- Other operating income and expenses are apportioned based on members' strength.