



11 May 2021

Dear Member

### **Platinum Health 22<sup>nd</sup> Annual General Meeting**

You are kindly invited to attend the Platinum Health Medical Scheme 22<sup>nd</sup> Annual General Meeting to be held at the King's Gate Hotel, Rustenburg on Friday, 11<sup>th</sup> June 2021 at 12:00. Attached herewith the Agenda, Statement of Financial Position as at 31 December 2020 and the Statement of Comprehensive Income for the year ended 31 December 2020 together with the minutes of the 21<sup>st</sup> Annual General Meeting held on 30 October 2020 and Board of Trustees Report.

Please kindly advise Ms Ida Chibweza if you wish to attend, by no later than Wednesday, 02<sup>nd</sup> June 2021. Tel: 0874630665 to ensure that the venue and catering are adequately arranged.

A proxy form is attached as part of this letter should you decide to mandate another member to vote on your behalf. Completed and signed proxy form to be emailed to [Ida.Chibweza@platinumhealth.co.za](mailto:Ida.Chibweza@platinumhealth.co.za) for our record.

The detailed financial statements are available from the Platinum Health website: [www.platinumhealth.co.za](http://www.platinumhealth.co.za). Should you wish to obtain a copy prior to the meeting please contact Ms Ida Chibweza.

Yours sincerely

P.W. Mboniso  
PRINCIPAL OFFICER



## **PLATINUM HEALTH MEDICAL SCHEME**

NOTICE IS HEREBY GIVEN THAT THE 22<sup>nd</sup> ANNUAL GENERAL MEETING OF THE

PLATINUM HEALTH MEDICAL SCHEME WILL BE HELD ON

11<sup>TH</sup> JUNE 2021 AT 12:00 AT THE KING'S GATE HOTEL, RUSTENBURG

### **A G E N D A**

1. Notice of Meeting
2. Minutes of the Annual General meeting held on 30 October 2020
3. Board of Trustees Report for the year ended 2020
4. Ratification of Board of Trustees
5. Annual Financial Statements for the year ended 2020
6. Appointment of Auditors
7. Any other business of which due notice has been given

*Notice for any motion to be placed before the Annual General Meeting must reach the office of the Principal Officer ([welcome.mboniso@platinumhealth.co.za](mailto:welcome.mboniso@platinumhealth.co.za)) no later than Wednesday 02<sup>nd</sup> June 2021.*

Completed and signed proxy forms to be forwarded to Ida Chibweza:  
[Ida.Chibweza@platinumhealth.co.za](mailto:Ida.Chibweza@platinumhealth.co.za)

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020

	<i>Note</i>	2020 R	2019 R
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	66 940 883	72 703 903
Investment in Subsidiary	3	63 621 537	72 703 903
		3 319 346	—
<b>Current assets</b>			
Pharmaceutical inventories	4	788 192 083	607 311 702
Trade and other receivables	5	325 691	352 746
Investments held at fair value through profit or loss	6	38 027 021	51 524 717
Cash and cash equivalents	7	348 474 475	347 470 488
		401 364 896	207 963 751
<b>Total assets</b>		855 132 966	680 015 605
<b>Funds and liabilities</b>			
<b>Members' Funds</b>			
Accumulated funds		585 567 768	456 260 087
<b>Non-current liabilities</b>			
Long-term liabilities	8	64 280 584	75 156 406
<b>Current liabilities</b>			
Trade and other payables	9	205 284 614	148 599 112
Outstanding claims provision	10	143 311 737	84 115 172
Leave accruals	11	45 400 000	49 400 000
		16 572 877	15 083 940
<b>Total funds and liabilities</b>		855 132 966	680 015 605

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 R	2019 R
<b>Gross contribution income</b>	12	1 469 049 960	1 309 568 438
<b>Relevant healthcare expenditure</b>		(1 240 375 561)	(1 210 240 724)
Net claims incurred	13	(1 237 026 935)	(1 208 421 856)
– Claims incurred		(1 237 678 206)	(1 212 105 715)
– Third party claim recoveries		651 271	3 683 859
Net loss on risk transfer arrangements	14	(3 348 626)	(1 818 868)
– Risk transfer arrangement fees/premiums paid		(10 565 219)	(9 627 406)
– Recoveries from risk transfer arrangements		7 216 593	7 808 538
<b>Gross healthcare result</b>		228 674 399	99 327 714
Managed care: management services	15	(14 906 323)	(13 218 048)
Administration expenses	17	(98 996 613)	(78 920 988)
Net impairment losses on healthcare receivables	16	(2 401 872)	(1 490 017)
<b>Net healthcare result</b>		112 369 591	5 698 661
<b>Other income</b>		444 878 953	447 572 867
Investment income	18	35 662 657	34 535 594
Income from use of own facilities	19	407 804 026	412 396 769
Fair value adjustment of investments held at fair value through profit or loss	6	–	405 392
Net impairment loss recovery		126 704	76 837
Sundry revenue		1 274 946	58 851
Profit on sale of assets		10 620	99 424
<b>Other expenditure</b>		(427 940 863)	(413 422 481)
Cost incurred in provision of own facilities	19	(400 512 367)	(406 681 519)
Fair value adjustment of investments held at fair value through profit or loss	6	(22 124 712)	–
Finance costs	20	(3 200 179)	(4 593 015)
Sundry expenses		(2 870)	(2 283)
Asset management fees	22	(2 100 735)	(2 145 664)
<b>Net surplus for the year</b>		129 307 681	39 849 047
<b>Other comprehensive income</b>		–	–
<b>Total comprehensive income for the year</b>		129 307 681	39 849 047

PLATINUM HEALTH MEDICAL SCHEME

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020

	<i>Note</i>	2020 R	2019 R
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	66 670 330	72 703 903
Deferred taxation	5	64 732 028	72 703 903
		1 938 302	—
<b>Current assets</b>			
Pharmaceutical inventories	4	817 423 377	607 311 702
Trade and other receivables	6	11 209 324	352 746
Taxation receivable	9	53 095 816	51 524 717
Investments held at fair value through profit or loss	7	122 727	—
Cash and cash equivalents	8	348 474 475	347 470 488
		404 521 035	207 963 751
<b>Total assets</b>		<b>884 093 707</b>	<b>680 015 605</b>
<b>Funds and liabilities</b>			
<b>Members' Funds</b>			
Accumulated funds		586 343 676	456 260 087
<b>Non-current liabilities</b>			
Long-term liabilities	10	64 726 283	75 156 406
<b>Current liabilities</b>			
Trade and other payables	11	233 023 748	148 599 112
Outstanding claims provision	12	169 653 472	84 115 172
Leave accrual	13	45 400 000	49 400 000
		17 970 276	15 083 940
<b>Total funds and liabilities</b>		<b>884 093 707</b>	<b>680 015 605</b>

PLATINUM HEALTH MEDICAL SCHEME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 R	2019 R
<b>Gross contribution income</b>	14	1 469 049 960	1 309 568 438
<b>Relevant healthcare expenditure</b>		(1 241 365 247)	(1 210 240 724)
Net claims incurred	15	(1 238 016 621)	(1 208 421 856)
– Claims incurred		(1 238 667 892)	(1 212 105 715)
– Third party claim recoveries		651 271	3 683 859
Net loss on risk transfer arrangements	16	(3 348 626)	(1 818 868)
– Risk transfer arrangement fees/premiums paid		(10 565 219)	(9 627 406)
– Recoveries from risk transfer arrangements		7 216 593	7 808 538
<b>Gross healthcare result</b>		227 684 713	99 327 714
Managed care; management services	17	(14 906 323)	(13 218 048)
Administration expenses	19	(101 308 327)	(78 920 988)
Net impairment losses on healthcare receivables	18	(2 694 836)	(1 490 017)
<b>Net healthcare result</b>		108 775 227	5 698 661
<b>Other income</b>		592 270 701	447 572 867
Investment income	20	35 663 411	34 535 594
Income from use of own facilities	21	550 495 841	412 396 769
Fair value adjustment of investments held at fair value through profit or loss	7	–	405 392
Bargain purchase	3	4 699 179	–
Net impairment loss recovery		126 704	76 837
Sundry revenue		1 274 946	58 851
Profit on sale of assets		10 620	99 424
<b>Other expenditure</b>		(570 660 596)	(413 422 481)
Cost incurred in provision of own facilities	21	(543 204 182)	(406 681 519)
Fair value adjustment of investments held at fair value through profit or loss	7	(22 124 712)	–
Finance costs	22	(3 228 097)	(4 593 015)
Sundry expenses		(2 870)	(2 283)
Asset management fees	24	(2 100 735)	(2 145 664)
<b>Net surplus for the year</b>		130 385 332	39 849 047
Taxation	25	(301 743)	–
<b>Other comprehensive income</b>		–	–
<b>Total comprehensive income for the year</b>		130 083 589	39 849 047



MINUTES OF THE PLATINUM HEALTH MEDICAL SCHEME 21<sup>ST</sup> ANNUAL GENERAL  
MEETING  
HELD ON 30 OCTOBER 2020 AT 12:00  
AT THE KING'S GATE HOTEL, RUSTENBURG

<u>Present</u>	Mr Colin Smith	Chairperson, PHMS Board of Trustees
	Mr Welcome Mboniso	Principal Officer, Platinum Health
	Members	92
	Proxies	4

Apologies:

Scribe: AB Heyns

1. NOTICE OF MEETING AND WELCOME

- 1.1 Mr Welcome Mboniso, the Principal Officer of the Scheme, opened proceedings. He introduced the Chairperson of the Platinum Health Medical Scheme Board of Trustees, Mr Colin Smith, who officially opened the meeting and welcomed all present.

The Chairperson confirmed that due notice of the meeting and agenda had been circulated prior to the meeting by post and email, and that notices had also been published in all the Scheme's official publications.

A quorum was confirmed, and the meeting proceeded as an official meeting of the Scheme.

2. MINUTES OF THE 20<sup>TH</sup> PLATINUM HEALTH MEDICAL SCHEME ANNUAL GENERAL MEETING HELD ON 7 JUNE 2019

- 2.1 The minutes of the 20<sup>th</sup> Platinum Health Medical Scheme Annual General Meeting, held on 7 June 2019, had been circulated to members prior to the meeting.

A motion to approve the minutes as a true record of proceedings at the previous meeting was accepted. No amendments were proposed.

Proposed: Mr John Martin  
Seconded: Mr Poena Siemens

### 3. BOARD OF TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

3.1 The following salient points from the Board of Trustees report for the year ended 31 December 2019 were highlighted:

#### Finance:

- i. The Scheme reported a solvency ratio of 34.84% for 2019, compared to a 29.31% solvency rate for 2018. The CMS desired solvency ratio for medical schemes is 25%.
- ii. Healthcare expenditure per average beneficiary per month on the Plat Comprehensive option increased from R 1 110 in 2018 to R 1 194 in 2019, while this category of expenditure decreased from R 806 in 2018 to R 801 in 2019 for the Plat Cap option.

#### Membership:

- i. Main membership in the Scheme decreased by 16.87% for the accounting period. Although Sibanye's decision to opt out of the Scheme led to a considerable decrease of 18.42% in membership, a small increase of 1.55% from other participating employers was also reported.
- ii. The pensioner ratio as at 31 December 2019 was 1.58%, compared to a rate of 1.59% in 2018.

#### Non-compliance:

The Scheme must report several areas of non-compliance to the Council for Medical Schemes in terms of the Medical Schemes Act and Regulations. In the past year, these included:

- i. Investments held directly in employer companies, such as Northam Platinum Limited and Royal Bafokeng Platinum Limited through the Alan Gray Medical Portfolio pooled investment vehicle;
- ii. Investments held indirectly in administrator companies, such as MMI Holdings Ltd;
- iii. Contributions from participating employers that are received later than 3 days after month end.

#### Governance:

- i. The Scheme received clean internal and external audit reports in the past year.

In terms of Operational Statistics, the following was noted:

- i. Non-healthcare expenditure per average beneficiary per month increased by 7% for the Plat Comprehensive option from R 77 to R 96, and to R 96 from R 76 in 2018 for the Plat Cap option. This was largely due to the Scheme's establishment as an independent entity, which meant that it needed to procure its own offices and establish its own IT system.

#### 4. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

4.1 The Scheme's Annual Financial Statements for the period ended 31 December 2019 were also noted. Mr Owetu Matshaya, the Scheme's CFO, detailed the following aspects from the Financial Statements:

- i. It was noted that the Scheme has had to change the way that it accounts for leases, which must now be capitalised from an accounting perspective. This meant that the right of use asset figure increased to R 62 million. The Scheme also invested in medical equipment such as x-ray machines, and had to invest in a new IT system since it now operates independently from Anglo American Platinum.
- ii. There has also been a slight increase in outstanding claims provision for 2019, which was distinguished by a number of high-cost hospital cases for which provision had to be made.
- iii. Contributions have also decreased, due to the considerable membership loss when Sibanye opted out of the Scheme. However, the Scheme was still able to report a net surplus of R 39 849 947 for the year.
- iv. The Scheme still manages to offer healthcare expenditure per beneficiary at considerably lower rates than other restricted medical schemes. Average hospitalisation costs for PHMS is 41% lower than those in other restricted medical schemes, because the Scheme uses its own doctors, hospitals and DSPs.
- v. In relation to medication spend per beneficiary per month, a 21% saving was also achieved due to the Scheme's ability to purchase medicines through RA Gilbert (Pty) Ltd.
- vi. Average non-healthcare expenditure per beneficiary per month was also considerably lower than those of other restricted medical schemes.

4.2 The Board of Trustees' Report and the Annual Financial Statements for the year ending 31 December 2019 were approved as presented.

Proposed: Mr Albert Kokota  
Seconded: Ms Marianne Bezuidenhout

#### 5. APPOINTMENT OF AUDITORS

5.1 The AGM was informed that the Audit Committee recommended the re-appointment of Ernst and Young as the external auditors of the Scheme for 2020.

The recommendation to re-appoint Ernst and Young was duly approved by the AGM.

Proposed: Mr Francois Bester  
Seconded: Mr JD Saayman

#### 6. RATIFICATION OF THE BOARD OF TRUSTEES MEMBERSHIP

6.1 The following trustees of the Scheme, whose term of office runs from one AGM to the next, were presented at the AGM for ratification.

The nominated trustees are:

- i. Ms Liesel Roets, Siyanda Bakgatla;
- ii. Mr Colin Smith, Northam Platinum;
- iii. Dr Charles Mbekeni, Anglo American Platinum;
- iv. Mr Paul Krause, Anglo American Platinum;
- v. Vacancy, Anglo American Platinum;
- vi. Mr Jeremy Jacobs, Royal Bafokeng Platinum;
- vii. Mr Darren McDonald, Modikwa Platinum;

- i. Constituency 1: Mr Boitshoko Phidelis Molefe, Anglo American;
- ii. Constituency 2: Mr Danny Molao Noko, Siyanda Bakgatla Platinum Limited Operations;
- iii. Constituency 3: Mr Samuel Senoelo Pheto, Anglo American Platinum Tumela and Dishaba;
- iv. Constituency 4: Mr Percy Malamula, Royal Bafokeng Platinum;
- v. Constituency 5: Mr Philemon Maimela, Modikwa Platinum;
- vi. Constituency 6: Mrs Khomotso Jubilee Kokohlabang, Other;
- vii. Constituency 7: Mr Jairos Thabo Hlangweni Northam Platinum.

Proposed: Ms Kutlwano Lefakane

Seconded: Ms Olebogeng Mfubesi

## 7. ANY OTHER BUSINESS OF WHICH DUE NOTICE HAD BEEN GIVEN

7.1 No other business was discussed.

## 8. GENERAL

8.1 No new items were introduced under General.

## 9. CLOSURE

9.1 Mr Smith declared the meeting closed and thanked all members of the Scheme for their attendance and participation. It was noted that staff members from the Scheme were available to answer any questions after the meeting.

**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 2020.

**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
Mr P Krause	Anglo American Platinum
Mr E Mungai	Anglo American Platinum (resigned 30 June 2020)
Mr W McCarthy	Anglo American Platinum (appointed 12 November 2020)
Mr J Jacobs	Royal Bafokeng Platinum
Ms L Roets	Siyanda Bakgatla Platinum Mine
Mr D McDonald	Modikwa Platinum Mine

**Member Trustees**

Mr A Makou	Northam Platinum Mine (term ended 30 October 2020)
Mr J Hlangweni	Northam Platinum Mine (elected 30 October 2020)
Mr SS Pheto	Anglo American Platinum Amandelbult
Mr K Kokohlabang	Anglo American Platinum Other
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 Committee Meetings</i>		<i>Other Committee Meetings</i>	
	A	B	A	B	A	B
<b>Employer Trustees</b>						
Mr C Smith	4	4	3	2	7	5
Dr C Mbekeni	4	4			4	4
Mr P Krause	4	3			3	3
Mr E Mungai	1	1			1	1
Mr J Jacobs	4	4			10	7
Ms L Roets	4	2	3	3	2	2
Mr D McDonald	4	2				
<b>Member Trustees</b>						
Mr A Makou	4	0			9	2
Mr SS Pheto	4	3			10	2
Mr K Kokohlabang	4	3			4	2
Mr B Molefe	4	3			2	2
Mr J Hlangweni	1	1			1	1
Mr P Malamula	4	4			2	1
Mr DM Noko	4	3			4	4
Mr P Maimela	4	1			8	3

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
- Risk Committee

## PLATINUM HEALTH MEDICAL SCHEME

### REPORT OF THE BOARD OF TRUSTEES (Continued)

#### 1. MANAGEMENT (Continued)

##### 1.3 Principal Officer

Mr P W Mboniso  
Platinum Health offices  
Fourways Golf Park  
Selbourne Office Building  
Roos Street  
Fourways  
Sandton  
2191

Private Bag X82081  
Rustenburg  
0300

##### 1.4 Registered Office

Platinum Health Medical Scheme  
3 Kgwebo Street  
Mabe Park  
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

##### 1.6 Independent Auditors

Ernst & Young Inc.  
102 Rivonia Road  
Sandton  
Gauteng  
2194

Private Bag X14  
Sandton  
2146

##### 1.7 Investment Managers

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

##### 1.8 Independent Investment Advisor

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

##### 1.9 General Information

Domicile:	Registered Office 175 Beyers Naude Drive 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, Ms L. Roets, Mr P Malamula and Mr B Molefe.
Principal activities:	Provides pharmaceutical services mainly to members of the Scheme

## 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 (introduced July 2019)

##### 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 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.

##### 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 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) are being rented with an option to purchase on expiry of the rental agreement at a nominal value agreed between both parties.

## 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. 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

	2020		2019	
	All Options	Plat Comprehensive	All Options	Plat Comprehensive
Number of members at year end	52 062	47 311	51 545	46 494
Average number of members for the year *	51 672	46 709	50 541	46 175
Average administration and managed care costs incurred per beneficiary per month	R107	R107	R89	R89
Average accumulated funds per member at 31 December	R11 262	R11 022	R8 852	R9 058
Dependant ratio as at 31 December	1:0.772	1:0.780	1:0.672	1:0.727
Non-healthcare expenses as a percentage of gross contributions	8%	8%	7%	7%
Average number of beneficiaries during the accounting period	90 532	82 344	86 188	80 008
Number of beneficiaries at year end	92 255	84 230	88 724	80 289
Net contributions per average beneficiary per month *	R1 352	R1 362	R1 266	R1 278
Relevant healthcare expenditure per average beneficiary per month *	R1 143	R1 173	R1 170	R1 194
Non-healthcare expenditure per average beneficiary per month *	R111	R111	R96	R96
Relevant healthcare expenditure as a percentage of gross contributions	85%	86%	92%	93%
Average age of beneficiaries at 31 December	31.04	30.97	31.37	31.34
Return on investments as a percentage of investments	1.81%	1.81%	6.29%	6.29%
Pensioners ratio at 31 December	1.42%	1.56%	1.44%	1.58%
	PlatCap	PlatFreedom	PlatCap	PlatFreedom
Number of members at year end	3 270	1 481	3 733	1 318
Average number of members for the year *	3 507	1 456	3 719	1 293
Average administration and managed care costs incurred per beneficiary per month	R105	R107	R87	R87
Average accumulated funds per member at 31 December	R13 030	R15 042	R8 021	R3 915
Dependant ratio as at 31 December	1:0.055	1:2.089	1:0.054	1:2.414
Non-healthcare expenses as a percentage of gross contributions	10%	8%	9%	7%
Average number of beneficiaries during the accounting period	3 708	4 480	3 950	4 460
Number of beneficiaries at year end	3 450	4 575	3 936	4 499
Net contributions per average beneficiary per month *	R1 120	R1 367	R1 037	R1 243
Relevant healthcare expenditure per average beneficiary per month *	R718	R955	R801	R974
Non-healthcare expenditure per average beneficiary per month *	R109	R109	R93	R46

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

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

5.1 Operational Statistics (Continued)

	2020		2019	
	PlatCap	PlatFreedom	PlatCap	PlatFreedom
Relevant healthcare expenditure as a percentage of gross contributions	64%	68%	77%	78%
Average age of beneficiaries at 31 December	40.88	24.08	40.92	36.36
Return on investments as a percentage of investments	1.81%	1.81%	6.29%	6.29%
Pensioners ratio at 31 December	0.03%	0.06%	0.03%	0.11%

\* 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

	2020 R	2019 R
The solvency margin is calculated on the following basis:		
Members' funds per the statement of financial position	586 343 676	456 260 087
Less: Cumulative unrealised net (gain) on re-measurement to fair value of financial instruments **	—	—
Accumulated funds per Regulation 29	<u>586 343 676</u>	<u>456 260 087</u>
Gross contributions	<u>1 469 049 960</u>	<u>1 309 568 438</u>
Solvency margin (Accumulated funds/Gross annual contribution income x 100)	<u>40%</u>	<u>35%</u>

\*\* Cumulative net (gains)/losses on re-measurement to fair value is calculated as follows:

Net cumulative unrealised loss / (gains) opening balance	10 485 332	10 890 724
Add: Unrealised loss / (gain) on re-measurement to fair value of financial instruments	<u>22 124 712</u>	<u>(405 392)</u>
Cumulative net unrealised loss on re-measurement to fair value of investments included in accumulated funds	<u>32 610 044</u>	<u>10 485 332</u>

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.

## PLATINUM HEALTH MEDICAL SCHEME

### REPORT OF THE BOARD OF TRUSTEES (Continued)

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

##### 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.

#### 6. ACTUARIAL VALUATION

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

#### 7. SUBSEQUENT EVENTS

On the 1<sup>st</sup> January 2021, Platinum Health Medical Scheme transferred all the employees of RA Gilbert Proprietary Limited to Platinum Health Medical Scheme in terms of Section 197 (Labour Relations Act) transfer arrangement and the operations of RA Gilbert Proprietary Limited within the Scheme in order to achieve operational efficiencies and eliminate duplication of processes. The pharmacy licenses and assets still remain with RA Gilbert Proprietary Limited and the Scheme pays a rental amount for the licenses and the use of the assets.

#### 8. ACQUISITION OF RA GILBERT PROPRIETARY LIMITED

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.

#### 9. IMPLICATIONS OF COVID-19

The outbreak of the Coronavirus during mid-January 2020 has disrupted the Global economic markets. In making their estimates and judgements as at 31 December 2020, the Trustees took into consideration the possible effect of COVID-19 when considering the going concern assumptions, valuation and impairment of non-financial assets, financial instruments, any concessions and ability to meet the day to day requirement of a medical scheme to its members. The Trustees continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

At the start of the COVID-19 Pandemic the Group's Allan Gray investment portfolio fell by 15%, losing almost R51m in the process. As at 31st December 2020 the investment portfolio was 0.29% up on prior year and the solvency ratio at an all-time high of 40%. As per the Medical Scheme's Act a solvency ratio of 25% has to be maintained. The surplus for the year was R130m bringing the Group reserves to R587m. With a solvency of 40% the Group has adequate reserves to ensure the solvency requirements as stipulated by the Medical Scheme Act will not be breached.

Operationally the Group put together a response plan throughout its facilities in the wake of COVID-19 and sites were ready to address issues relating to the pandemic as the outbreak began to impact the communities that the Group services. The Group put the following measures in place to manage its risk in relation to the pandemic:

- All staff were trained to assess patients and follow COVID-19 protocols;
- Temperature scanners to identify elevated body temperatures of patients entering the Group's facilities were acquired;
- All patients with chronic medical conditions were given 6 months chronic medicine to ensure that these patients, most vulnerable to develop severe symptoms from COVID-19, were not exposed unnecessarily by having to collect chronic medicine within short intervals. Members with chronic medical conditions were encouraged to take medication as prescribed;
- All patients who are HIV positive were encouraged to go onto ART immediately. Patients who are on ART, but not yet viral load suppressed were encouraged to take medication as prescribed to ensure that they become viral load suppressed;
- PPE was purchased initially to last up to 4 months but subsequently this was extended, and we ensure that the Group has adequate reserves in place.
- Extensive education has taken place, and continues, with newsflashes having been distributed and information pertaining to COVID-19 being displayed on televisions at all the Group's facilities.

## PLATINUM HEALTH MEDICAL SCHEME

### REPORT OF THE BOARD OF TRUSTEES (Continued)

#### 9. IMPLICATIONS OF COVID-19 (Continued)

Notwithstanding the above the Group, to date, has conducted over 20 000 COVID-19 tests. Participating Employers have also been testing extensively. To date more than 10 000 beneficiaries have tested positive. The Group's COVID-19 infection rate is approximately 11.2% of total beneficiaries compared to the South African National infection rate of 2.6%. Regretfully there has been 75 deaths as a direct result of COVID-19. Despite the Group's COVID-19 infection rate being substantially higher than the SA National COVID-19 infection rate the Group's death rate is 8% lower than the SA National death rate

The Group has spent over R108m on expenditure related to COVID-19 since the outbreak, broken down as follows:

- Specialist Costs R41m
- Pharmacy Costs R 6m
- PPE Costs R 9m
- Hospital Costs R52m

The Group has spared no cost to provide appropriate healthcare to all its beneficiaries.

Flu vaccinations are an important preventative measure to try and ensure that the immune system has a greater chance of fighting the virus and the Group, through its related parties, are procuring vaccines to vaccinate members of the Group as a preventative measure once again this year.

The Group continues to engage with its counterparts around the COVID-19 vaccines and has a COVID-19 vaccination roll out plan in place for when the vaccines become available. Currently the frontline healthcare workers within the Group are being vaccinated through the Johnson & Johnson Sisonke trial by Government.

The Group has assessed the risks of the COVID-19 pandemic, put together a response plan, analysed its ability to continue as a going concern and at this stage is confident that in the midst of this global pandemic the Group will remain viable and continue as a going concern. Subsequent to the year end the Group has continued to outperform budget on a monthly basis and with reserves of over R580m the going concern assumption is still valid. No estimates and judgement have been impacted by the COVID-19 pandemic nor has there been any changes to the accounting policies of the Scheme.

The Group owns Property Plant and Equipment (PPE) and the valuation and impairment of PPE has not been impacted by the outbreak of COVID-19. Due to the nature of the business that the Scheme operates, the nature of PPE it holds and that it has a captive market there is no material uncertainty with regards to the valuation of PPE. PPE in use has assisted the Group to perform its role to provide healthcare services to its members. The Group does not hold investment property or any property in its own name.

The investment in RA Gilbert (Pty) Ltd (RAG) by the Group has in no way been impaired as an investment. The business of RAG with the dispensing of cost-effective medication to beneficiaries of the Group and the 6 month bulk chronic medication dispensed in 2020 has aided the Group to keep healthcare costs under control and therefore impairment of the investment is not a concern. The fair value of RAG has been considered in the past by independent valuers and takes into consideration a net asset value technique which in this case is still favourable and improving.

The sovereign downgrade added further pressure on prevailing financial market stress, and it was unclear how the restrictions imposed by Government during the national lockdown period would impact member contribution collections. The participating employers (Platinum Mines) were also under immense pressure due to production constraints with mines having to shut down during lockdown level 5 and subsequently ramping up slowly to full production. No credit losses were incurred by the Group nor were there requests for extended payment terms, deferred payments or payment holidays as suggested by the Council of Medical Schemes.

With the credit risk not being a material concern for the Group and with all the participating employers making monthly contribution payments there has been no 'liquidity risk' to the Group. The Group's objective when managing liquidity is to ensure that, as far as possible, it will have sufficient liquidity to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group and the Investment Committee continue to manage cashflows on a weekly basis with the Investment Committee continuously seeking alternative options to optimise cash balances.

## PLATINUM HEALTH MEDICAL SCHEME

### REPORT OF THE BOARD OF TRUSTEES (Continued)

#### 9. IMPLICATIONS OF COVID-19 (Continued)

In an attempt to assist the members of the Group, the Board of Trustees took a decision to defer the annual contribution increase by 2 months. The 2021 contribution increases were only implemented with effect from 1<sup>st</sup> March 2021, therefore providing assistance to members of approximately R15m.

The Group through its governance structures continues to monitor the impact of COVID-19 on a daily basis and will ensure that corrective measures are implemented should COVID-19 have a negative impact on the business.

#### 10. 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 R22 880 (2019: R335 657).

#### 11. FIDELITY COVER

The Scheme has fidelity cover in place and the premiums are fully paid up. 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. The premium is fully paid and in place until 30 June 2021.

#### 12. 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 Allan Gray pooled funds:

	2020 R	2019 R
• Northam Platinum Limited	7 105 103	4 670 749
• Royal Bafokeng Platinum Limited	–	1 937 504
• Anglo American Plc	1 596 756	–

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

• MMI Holdings Ltd	263 107	1 695 660
--------------------	---------	-----------

## PLATINUM HEALTH MEDICAL SCHEME

### REPORT OF THE BOARD OF TRUSTEES (Continued)

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

##### (1) Investments in employer and administrator companies (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 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 2019.

##### (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 2020, there were contribution debtors outstanding for more than 30 days to the amount of R1 493 472 (2019: R1 915 070). 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.

#### 13. RELATED PARTY TRANSACTIONS

Refer to related party disclosure in Note 30 of the financial statements.

#### 14. 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 12.1 above).

**PLATINUM HEALTH MEDICAL SCHEME**

**REPORT OF THE BOARD OF TRUSTEES (Continued)**

**15. AUDIT COMMITTEE**

An Audit Committee was established in accordance with the provisions of the Medical Schemes Act 131 of 1998. 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 Group. The Committee met on 27 March 2020, 21 August 2020, and 3 November 2020.

The Chief Executive Officer, Principal Officer and Chief Financial Officer of the Medical Scheme, 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 Committee which are formulated in the Audit 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 J B Martin (Independent Chairperson) (resigned August 2020)	2 of 2
Mr P Fernandes (Independent)	3 of 3
Mr I Catt (Independent Chairperson) (elected November 2020)	3 of 3
Mr D Cathrall (Independent) (appointed 19 November 2020)	0 of 0
Mr C Smith (Trustee)	2 of 3
Mrs L Roets (Trustee)	3 of 3

**16. 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 21 August 2020 and 3 November 2020.

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.

**PLATINUM HEALTH MEDICAL SCHEME**

**REPORT OF THE BOARD OF TRUSTEES (Continued)**

**16. INVESTMENT COMMITTEE (Continued)**

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
Mrs L Roets	(Chairperson Trustee)	2 of 2
Mr C Buchanan	(Independent Advisor)	2 of 2
Mr A Makou	(Trustee) (Term ended 30 October 2020)	1 of 2
Mr C Smith	(Trustee)	2 of 2
Mr J Hlangweni	(Trustee) (Elected 30 October 2020)	1 of 1

**17. 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 Group is in the process of appointing a further member to the Committee.

The Committee met on 14 January 2020, 4 June 2020 and 5 November 2020.

The Chief Executive Officer, Human Resources Manager and the Chief Financial Officer 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.

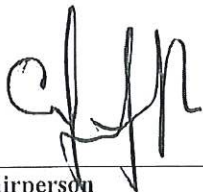
The Remuneration Committee comprises of the following:

		Meetings Attended
Mr P Krause	(Chairperson Trustee)	3 of 3
Mr C Smith	(Trustee)	3 of 3

**18. 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 2020, and the results of its operations and cash flow information for the year then ended.



Chairperson  
Mr C Smith

30 April 2021  
Johannesburg

