# PLATINUM HEALTH MEDICAL SCHEME

## REGISTRATION NUMBER: 29/4/2/1583

## ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED

## 31 DECEMBER 2019

**PLATINUM HEALTH MEDICAL SCHEME**

**Registration Number: 29/4/2/1583**

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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 2019.

## 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 | (appointed 12 February 2019) |
| 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 | |
| Mr SS Pheto | Anglo American Platinum Amandelbult | |
| Mr K Kokohlabang | Anglo American Platinum Other | |
| Mr B Molefe | Anglo American Platinum Process Division | (elected 07 June 2019) |
| Ms T Segoe (nee Tau) | Royal Bafokeng Platinum | (term of office ended 07 June 2019) |
| Mr P Malamula | Royal Bafokeng Platinum | (elected 07 June 2019) |
| Mr DM Noko | Siyanda Bakgatla Platinum Mine | |
| Mr N Machumele | Modikwa Platinum Mine | (term of office ended 07 June 2019) |
| Mr P Maimela | Modikwa Platinum Mine | (elected 07 June 2019) |

* Chairman of the Board of Trustees

1. **MANAGEMENT** (Continued)

1.2 **Trustee meeting attendance**

The following schedule sets out Board of Trustee meeting attendances

| | *Trustee Meetings* | | *Audit Committee Meetings* | | *Other Committee Meetings* | |
|---|---|---|---|---|---|---|
| | **A** | **B** | **A** | **B** | **A** | **B** |
| **Employer Trustees** | | | | | | |
| Mr C Smith | 6 | 5 | 3 | 2 | 10 | 4 |
| Dr C Mbekeni | 6 | 3 | | | 2 | 2 |
| Mr P Krause | 6 | 5 | | | 4 | 4 |
| Mr E Mungai | 6 | 6 | | | | |
| Mr J Jacobs | 6 | 3 | | | 10 | 4 |
| Ms L Roets | 6 | 4 | 3 | 3 | 3 | 3 |
| Mr D McDonald | 6 | 0 | | | | |
| **Member Trustees** | | | | | | |
| Mr A Makou | 6 | 4 | | | 3 | 3 |
| Mr SS Pheto | 6 | 5 | | | 2 | 2 |
| Mr K Kokohlabang | 6 | 4 | | | 4 | 1 |
| Mr B Molefe | 4 | 4 | | | | |
| Ms T Segoe (nee Tau) | 2 | 1 | | | 3 | 1 |
| Mr P Malamula | 4 | 4 | | | | |
| Mr DM Noko | 6 | 6 | | | 4 | 1 |
| Mr N Machumele | 2 | 2 | | | | |
| Mr P Maimela | 4 | 4 | | | | |

**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

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
175 Beyers Naude Drive
Rustenburg
0300

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 **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<br>175 Beyers Naude Drive<br>Rustenburg<br>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 |

## 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 17).

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.

## 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 Scheme's investment objectives are to maximise the return on its investments on a long-term basis at minimal risk. The Scheme'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 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.

## 5. REVIEW OF THE YEAR'S ACTIVITIES

### 5.1 Operational Statistics

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **All Options** | **Plat Comprehensive** | All Options | Plat Comprehensive |
| Number of members at year end | **51 545** | **46 494** | 62 005 | 58 203 |
| Average number of members for the year * | **50 541** | **46 175** | 59 807 | 56 114 |
| Average administration and managed care costs incurred per beneficiary per month | **R89** | **R89** | R74 | R74 |
| Average accumulated funds per member at 31 December | **R8 852** | **R9 058** | R6 716 | R6 803 |
| Dependant ratio as at 31 December | **1:0.672** | **1:0.727** | 1:0.655 | 1:0.693 |
| Non-healthcare expenses as a percentage of gross contributions | **7%** | **7%** | 6% | 6% |
| Average number of beneficiaries during the accounting period | **86 188** | **80 008** | 98 975 | 94 996 |
| Number of beneficiaries at year end | **88 724** | **80 289** | 105 121 | 101 036 |
| Net contributions per average beneficiary per month * | **R1 266** | **R1 278** | R1 196 | R1 206 |
| Relevant healthcare expenditure per average beneficiary per month * | **R1 170** | **R1 194** | R1 098 | R1 110 |
| Non-healthcare expenditure per average beneficiary per month * | **R96** | **R96** | R77 | R77 |
| Relevant healthcare expenditure as a percentage of gross contributions | **92%** | **93%** | 92% | 92% |
| Average age of beneficiaries at 31 December | **31.37** | **31.34** | 31.82 | 31.52 |
| Return on investments as a percentage of investments | **6.29%** | **6.29%** | 3.66% | 3.66% |
| Pensioners ratio at 31 December | **1.44%** | **1.58%** | 1.53% | 1.59% |

| | **PlatCap** | **PlatFreedom** | PlatCap | PlatFreedom |
|---|---|---|---|---|
| Number of members at year end | **3733** | **1 318** | 3 802 | – |
| Average number of members for the year * | **3719** | **1 293** | 3 693 | – |
| Average administration and managed care costs incurred per beneficiary per month | **R87** | **R87** | R73 | – |
| Average accumulated funds per member at 31 December | **R8 021** | **R3 915** | R5 379 | – |
| Dependant ratio as at 31 December | **1:0.054** | **1:2.414** | 1:0.077 | – |
| Non-healthcare expenses as a percentage of gross contributions | **9%** | **7%** | 8% | – |
| Average number of beneficiaries during the accounting period | **3 950** | **4 460** | 3 978 | – |
| Number of beneficiaries at year end | **3 936** | **4 499** | 4 085 | – |
| Net contributions per average beneficiary per month * | **R1 037** | **R1 243** | R964 | – |
| Relevant healthcare expenditure per average beneficiary per month * | **R801** | **R974** | R806 | – |
| Non-healthcare expenditure per average beneficiary per month * | **R93** | **R46** | R76 | – |

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

### 5.1 Operational Statistics (Continued)

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **PlatCap** | **PlatFreedom** | PlatCap | PlatFreedom |
| Relevant healthcare expenditure as a percentage of gross contributions | **77%** | **78%** | 84% | – |
| Average age of beneficiaries at 31 December | **40.92** | **36.36** | 39.16 | – |
| Return on investments as a percentage of investments | **6.29%** | **6.29%** | 3.66% | – |
| Pensioners ratio at 31 December | **0.03%** | **0.11%** | 0.05% | – |

* 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 Scheme are set out in the annual financial statements, and the trustees believe that no further clarification is required.

### 5.3 Solvency margin

| | **2019** R | 2018 R |
|---|---|---|
| The solvency margin is calculated on the following basis: | | |
| Members' funds per the statement of financial position | **456 260 087** | 416 411 040 |
| Less: Cumulative unrealised net (gain) on re-measurement to fair value of financial instruments ** | – | – |
| Accumulated funds per Regulation 29 | **456 260 087** | 416 411 040 |
| Gross contributions | **1 309 568 438** | 1 420 717 815 |
| Solvency margin (Accumulated funds/Gross annual contribution income x 100) | **35%** | 29% |

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

| | | |
|---|---|---|
| Net cumulative unrealised loss / (gains) opening balance | **10 890 724** | (37 237 127) |
| Less: Realised profit on change in pooled investment portfolios at Allan Gray | – | 37 237 127 |
| Add: Unrealised (gain) / loss on re-measurement to fair value of financial instruments | **(405 392)** | 10 890 724 |
| Cumulative net unrealised loss on re-measurement to fair value of investments included in accumulated funds | **10 485 332** | 10 890 724 |

### 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 Scheme.

## 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 8 of the financial statements and this basis is consistent with the prior year. Movements on the outstanding claims provision are set out in Note 8.

## 6. ACTUARIAL VALUATION

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

## 7. SUBSEQUENT EVENTS

The only significant event after the reporting date is that of the Coronavirus pandemic as discussed below.

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 2019, the Trustees took into consideration the economic conditions and forecasts as at that date. The Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

The following events developed since 31 December 2019:

- On 23 March 2020, the President of South Africa announced a mandatory national lockdown for a period of 21 days, which commenced on 26 March 2020, as a measurement to curb the spreading of COVID-19.
- On 27 March 2020, the rating agency Moody's announced its decision of downgrading South Africa's long term foreign and local currency debt ratings from Ba1 to Baa3 and maintains a negative outlook of the country.
- On 9 April 2020, the President of South Africa announced the extension of the mandatory lockdown for a further period of 14 days which lockdown will end 30 April 2020.

Since the beginning of 2020 due to the volatility of the global and local markets, the Fund has been experiencing unrealised losses on investments.

The sovereign downgrade will further add to the prevailing financial market stress. The performance of the Fund's investment portfolio as illustrated below will continuously be monitored by the Fund's asset managers.

It is unclear how the restrictions imposed by Government during the national lockdown period will impact member contribution collections.

The effects of COVID-19 and the downgrade are non-adjusting subsequent events for the year ended 31 December 2019 in terms of IAS 10 Events after the Reporting Period, because the significant development and the spreading of COVID-19 did not take place until January 2020, and the announcement of the downgrade only occurred on 27 March 2020. Therefore, these events only occurred after 31 December 2019. Below is the assessment of each of the Fund's significant balance sheet items:

Platinum Health has been impacted by the Coronavirus or as popularly known the COVID -19 pandemic. As the world and the global markets have responded to what has been deemed a pandemic, the All Share Index on the Johannesburg Stock Exchange (JSE) in South Africa has fallen some 40% over the last three months. It is important to note that the drop in the value of shares on the JSE is in line with stock markets across the world.

The scheme's investments are measured at fair value, and as such the value of the investments currently disclosed are indicative of the fair value amounts as at 31 December 2019. Any conditions that existed broadly in the market would have been incorporated into a fair value measurement as at 31 December 2019. Therefore, the impact of COVID-19 since 2020, will not affect the investment balances as at 31 December 2019.

## 7. SUBSEQUENT EVENTS (Continued)

Platinum Health has seen its own investment portfolio fall by 14% year to date. At 31st December 2019 the solvency was 35%. The fact that Platinum Health has made a surplus of R16m to end February, excluding unrealized loss in investment, means that the scheme is well on track to maintain solvency. As per the Medical Scheme's Act a solvency of 25% has to be maintained. At 35% solvency the scheme has a buffer of 10% (+-R130m) before the solvency limit is breached and this is unlikely to happen.

Platinum Health continues to monitor its Allan Gray portfolio and is of the belief that the companies invested in through Allan Gray have value.

The potential impact that the pandemic will have on the Fund's participating employers was also considered, but it was deemed to be too early to make an assessment.

Provision for doubtful debts as at 31 December 2019 have been based on incurred events at balance sheet date. Given that the disruptions only occurred in March 2020, the amount recognised as at 31 December 2019 remains unchanged.

Provision for outstanding claims, as disclosed in note 8, is an estimate of the ultimate costs of settling all claims incurred that have occurred before the end of the reporting period but have not been reported to the Fund. Given the fact that the risk claims provision as at 31 December 2019 relates to 2019 and prior, the claims provision remains unchanged.

Operationally Platinum Health has put together a response plan throughout its facilities in the wake of COVID-19 and sites are ready to take on the pandemic should this be a reality for the communities that the Scheme services. Platinum Health have put the following measures in place to reduce risk:

- Temperature scanners are used to assess patients entering Platinum Health facilities;
- All staff have been trained to assess patients and follow protocol;
- All patients with chronic medical conditions are being given 6 months chronic medicine to ensure that these patients, most vulnerable to develop severe symptoms from COVID-19, are not exposed unnecessarily having to collect chronic medicine. Members with chronic medical conditions are encouraged to take medication as prescribed;
- All patients who are HIV positive are encouraged to go onto ART immediately. Patients who are on ART, but not yet viral load suppressed are encouraged to take medication as prescribed to ensure they become suppressed;
- PPE has been purchased to last up to 4 months. 100000 N95 masks, 25000 gowns and 25000 visors have been purchased for Platinum Health staff; and
- Extensive education has taken place with newsflashes having been distributed and information pertaining to COVID-19 being displayed on televisions at all Platinum Health facilities.

Vaccinations are an important preventative measure to try and ensure that the immune system has a greater chance of fighting the virus and Platinum Health, through its related parties are procuring vaccines to vaccinate members of the Scheme as a preventative measure.

Medically, 80% of patients who contract COVID-19 will be able to be treated as a normal flu and the costs of treatment would be in line with the flu season costs. 15% of the patients will end up in hospital and through our designated service providers and agreed rates Platinum Health will treat those cases as they come along. The remaining 5% of patients may end up in ICU and need ventilation and these cases may result in high costs which are inherent in our line of business.

Platinum Health has assessed the risks of an outbreak, has put together a response plan, has analysed its ability to continue as a going concern and at this stage is confident that in the midst of this global pandemic the Scheme will be viable and continue as a going concern.

The scheme continues to monitor the disruptions on member contributions due to the national lockdown, it continues to be operational and remains focused to serving its members. The scheme will work closely with the CMS for obtaining and developing guidelines.

In addition, the financial reporting impact of COVID-19 will be considered in the 2020 financial statements.

## 8. PROPOSED ACQUISITION OF RA GILBERT PROPRIETARY LIMITED

The Scheme had entered into an agreement on 12th December 2017 with Platmed Proprietary Limited to purchase its subsidiary company, RA Gilbert Proprietary Limited, a company rendering pharmacy services mainly to the Scheme, Platmed Proprietary Limited and Impala Medical Scheme. The approval of the Council for Medical Schemes was one of the conditions precedent in the contract. The required exposition paper was submitted to the Council for Medical Schemes and approved by it to lie open for inspection and submission of comments for a period of 21 working days from 18 February 2020 to 17 March 2020, and objections for a period of 21 working days from 18 March 2020 to 17 April 2020 by interested parties in the transaction. The approval of the sale was granted by the Council for Medical Schemes on 21 April 2020. The Competitions Commission had already approved the sale of the business in 2018 which approval was also a condition precedent in the contract. The purchase of the business will now go ahead.

## 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 is paid to those trustees who opted for this allowance. The disbursements, allowances and consulting fees for the year are R335 657 (2018: R340 358).

## 10. FIDELITY COVER

The Scheme has fidelity cover in place and the premiums are fully paid up. The Health Professionals employed by the Scheme are covered for any claims with regard to services rendered by them. The premium is fully paid and in place until 30 June 2020.

## 11. SERVICES PROVIDED BY A THIRD PARTY

The cash management, internal audit, information technology, insurance, creditors, procurement and employee services functions of the Scheme were provided by Anglo American for most of the year and these services ended on 31 December 2019. As from 1 January 2020 the Scheme receives no further services from Anglo American and has sourced its own providers for the functions mentioned above.

## 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).

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

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

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

| | **2019** **R** | 2018 R |
|---|---|---|
| • Northam Platinum Limited | **4 670 749** | 2 565 592 |
| • Royal Bafokeng Platinum Limited | **1 937 504** | 1 510 409 |
| • African Rainbow Minerals Limited | – | 289 151 |

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

| | | |
|---|---|---|
| • MMI Holdings Ltd | **1 695 660** | 3 333 822 |

***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 2019, there were contribution debtors outstanding for more than 30 days to the amount of R1 915 070 (2018: R4 140 579). This amount represents less than 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 Administrator on the other, this is not always possible.

## 13. RELATED PARTY TRANSACTIONS

Refer to related party disclosure in Note 25 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.

## 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 Scheme. The Committee met on 29 March 2019, 20 August 2019 and 12 November 2019.

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 Scheme'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) | 3 of 3 |
| Mr P Fernandes | (Independent) | 2 of 3 |
| Mr I Catt | (Independent) | 3 of 3 |
| 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 29 March 2019, 20 August 2019 and 12 November 2019.

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 Scheme.

## 16. INVESTMENT COMMITTEE (Continued)

The mandate of the committee is to ensure that:

- the Scheme 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 C Smith | (Chairperson Trustee) | 2 of 3 |
| Mr C Buchanan | (Independent Advisor) | 3 of 3 |
| Mr A Makou | (Trustee) | 3 of 3 |
| Mrs L Roets | (Trustee) | 3 of 3 |

## 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 Scheme is in the process of appointing a further member to the Committee.

The Committee met on 27 March 2019, 6 June 2019 and 1 November 2019.

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

As at 31December 2019, Platinum Health had reserves of R456m with a solvency margin of 35%. Subsequent to the year-end, for the period 1 January 2020 to 29 February 2020 the Scheme incurred a deficit of R1,0m including an unrealised loss on investments of R15m. If the unrealised loss is excluded, the Scheme would have a surplus of R16m from operations. Management are reasonably confident that the Scheme should maintain a profitable financial position, excluding investment losses.

The market value of the investment portfolio has decreased from R347m as at 31 December 2019 to R300m as at 17 March 2020, a loss of R47m. At the same time other markets have dropped as follows:

- The Johannesburg Stock Exchange (JSE) All Share Index, has dropped significantly from a close of 57084 at 31 December 2019 to 41579 on 17 March 2020 (27.2%).
- The Dow Jones dropped from 28462 to 21237 (25.4%).

As at 27 March 2020 the JSE All Share index has recovered marginally by 3.4%. At the same time the Dow Jones recovered by 1.9%. Since this date there have been numerous instances of movement in the local and global markets, confirming the uncertainty of the markets due to the humanitarian and economic consequences of the COVID-19 pandemic.

18. **GOING CONCERN** (Continued)

Whilst a loss of R47m is concerning, it represents approximately 10% of the total reserves at year end. Given the fact that the JSE has tracked international markets, management believe that it will correct over time, as the markets recover post COVID-19 pandemic, although not to the same levels as prior to COVID-19 as a world recession is anticipated.

Most of Platinum Health participating employers (90% of membership) comprise the following JSE listed companies:

- Anglo American Platinum (AAP),
- Northam Platinum,
- Royal Bafokeng Holdings and
- African Rainbow Minerals (Modikwa -JV with AAP and Two Rivers – JV with Impala)

These companies have recorded record profits in the past year due to strong commodity prices. These employers have strong Balance Sheets, and whilst the COVID-19 events and a possible worldwide recession is anticipated, it is not expected that there will be significant staff reductions nor that employers will not be able to pay over contributions. Management does not foresee significant risk of impairments materially increasing nor membership materially decreasing. As at 29 February 2020, Platinum Health had 89308 beneficiaries against an actual number of beneficiaries of 88 724 at 31 December 2019.

All mining companies have taken significant precautions to prevent a mass outbreak of COVID-19 at the mining operations. Some of these precautions include:

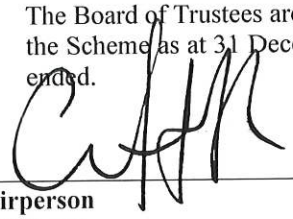
- Providing flu vaccines at no cost to all employees;
- Purchasing temperature scanners to assess employees and detect possible COVID-19;
- Providing sanitizers all over the mining operations;
- Distribution of Platinum Health educational material; and
- Safe start-up after lockdown (this includes compulsory medical assessments of all employees, and wellness campaigns).

There is a possibility of opening dormant single accommodation villages (hostels with 450-900 rooms) to quarantine employees who have been in contact with COVID-19 infected patients as well as to accommodate COVID-19 patients with mild symptoms, these patients being separately housed.

Platinum Health will operate two 40 bed hospitals, Union and Amandelbult Hospitals, where COVID-19 patients with pneumonia (requiring oxygen) will be accommodated. COVID-19 patients with severe symptoms will be accommodated at DSP Hospitals and treated by DSP specialists. Platinum Health have favourable DSP arrangements in place.

The Board of Trustees have considered all the factors noted above and are satisfied that the Scheme has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Scheme continues to adopt the going concern basis in preparing the annual financial statements.

The Board of Trustees are of the opinion that the annual financial statements fairly present the financial position of the Scheme as at 31 December 2019, and the results of its operations and cash flow information for the year then ended.



**Chairperson**
**Mr C Smith**

8 May 2020
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 financial statements of Platinum Health Medical Scheme. The annual financial statements presented on pages 21 to 80 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 financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees are satisfied that the information contained in the annual financial statements fairly presents the results of the operations for the year and the financial position of the Scheme 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 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 Scheme which enables the Trustees to ensure that the annual financial statements comply with the relevant legislation.

Platinum Health Medical Scheme 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 financial statements. The Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the Scheme.

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

The annual financial statements were approved by the Board of Trustees on 17 April 2020 and are signed on its behalf by:

**Chairperson**
**Mr C Smith**

**Trustee**
**Mr J Jacobs**

**Chief Financial Officer**
**Mr O Matshaya**

**PLATINUM HEALTH MEDICAL SCHEME**

**STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES**

The Platinum Health Medical Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Trustees are proposed and elected by the members of the Scheme and the Employers.

## BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the Scheme. 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 Scheme is self-administered and maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the annual 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 J Jacobs**

**Chief Financial Officer**
**Mr O Matshaya**

8 May 2020

Building a better working world

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## Independent Auditor's Report to the Members of Platinum Health Medical Scheme

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Platinum Health Medical Scheme (the Scheme), set out on pages 21 to 80, which comprise the statement of financial position as at 31 December 2019, the statement of 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 financial statements present fairly, in all material respects, the financial position of Platinum Health Medical Scheme as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Scheme Act of South Africa.

#### 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 Financial Statements section of our report. We are independent of the Scheme in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the Scheme and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the Scheme and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We do not believe that any of the matters communicated to those charged with governance were key audit matters in the context of the International Standards on Auditing and consequently we did not identify any Key Audit Matters in the current year.

#### Other Information

The trustees are responsible for the other information. The other information comprises the information included in the 84-page document titled "Platinum Health Medical Scheme Registration Number: 29/4/2/1583 Annual Financial Statements for the year ended 31 December 2019", which includes the report of the board of trustees, statement of responsibility by the board of trustees, statement of corporate governance by the board of trustees and the detailed statement of comprehensive income per benefit option. The other information does not include the financial statements and our auditor's report thereon.

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

Building a better working world

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 the trustees for the Financial Statements**

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

In preparing the 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 trustees either intend to liquidate the group or to cease operations or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 trustees.
- Conclude on the appropriateness of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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.

From the matters communicated with the Scheme's trustees, we determine those matters that were of most significance in the audit of the 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 South Africa*

As required by the council for Medical Schemes, we draw your attention to note 33 which outlines instances of non-compliance with the Medical Schemes Act of South Africa

*Audit tenure*

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that Ernst & Young Inc. has been the auditor of Platinum Health Medical Scheme for 18 years. This is the first year the engagement partner, Deon van der Walt, has been responsible for the Platinum Health Medical Scheme audit.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Deon van der Walt
Registered Auditor

14 May 2020

**PLATINUM HEALTH MEDICAL SCHEME**

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2019**

| | *Note* | **2019** **R** | 2018 R |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *2* | **72 703 903** | 8 664 139 |
| **Current assets** | | **607 311 702** | 613 101 001 |
| Trade and other receivables | *3* | **51 524 717** | 53 384 902 |
| Pharmaceutical inventories | | **352 746** | 348 476 |
| Investments held at fair value through profit or loss | *4* | **347 470 488** | 325 213 563 |
| Cash and cash equivalents | *5* | **207 963 751** | 234 154 060 |
| **Total assets** | | **680 015 605** | 621 765 140 |
| **Funds and liabilities** | | | |
| **Members' Funds** | | | |
| Accumulated funds | | **456 260 087** | 416 411 040 |
| **Non-current liabilities** | | | |
| Long-term liabilities | *6* | **75 156 406** | 19 784 885 |
| **Current liabilities** | | **148 599 112** | 185 569 215 |
| Trade and other payables | *7* | **84 115 172** | 128 776 595 |
| Outstanding claims provision | *8* | **49 400 000** | 40 000 000 |
| Provisions | *9* | **15 083 940** | 16 792 620 |
| **Total funds and liabilities** | | **680 015 605** | 621 765 140 |

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

| | *Note* | **2019**<br>**R** | 2018<br>R |
|---|---|---|---|
| **Gross contribution income** | *10* | **1 309 568 438** | 1 420 717 815 |
| **Relevant healthcare expenditure** | | **(1 210 240 724)** | (1 303 683 114) |
| Net claims incurred | *11* | **(1 208 421 856)** | (1 302 071 687) |
| – Claims incurred | | **(1 212 105 715)** | (1 303 558 626) |
| – Third party claim recoveries | | **3 683 859** | 1 486 939 |
| Net loss on risk transfer arrangements | *12* | **(1 818 868)** | (1 611 427) |
| – Risk transfer arrangement fees/premiums paid | | **(9 627 406)** | (11 479 398) |
| – Recoveries from risk transfer arrangements | | **7 808 538** | 9 867 971 |
| **Gross healthcare result** | | **99 327 714** | 117 034 701 |
| Managed care: management services | *13* | **(13 218 048)** | (11 648 472) |
| Administration expenses | *15* | **(78 920 988)** | (76 114 143) |
| Net impairment losses on healthcare receivables | *14* | **(1 490 017)** | (305 576) |
| **Net healthcare result** | | **5 698 661** | 28 966 510 |
| **Other income** | | **447 572 867** | 413 951 840 |
| Investment income | *16* | **34 535 594** | 31 363 481 |
| Income from use of own facilities | *17* | **412 396 769** | 382 429 089 |
| Fair value adjustment of investments held at fair value through profit or loss | *4* | **405 392** | – |
| Net impairment loss recovery | | **76 837** | 30 709 |
| Sundry revenue | | **58 851** | 128 561 |
| Profit on sale of assets | | **99 424** | – |
| **Other expenditure** | | **(413 422 481)** | (393 033 116) |
| Cost incurred in provision of own facilities | *17* | **(406 681 519)** | (376 674 487) |
| Fair value adjustment of investments at fair value through profit or loss | *4* | – | (10 890 724) |
| Finance costs | *18* | **(4 593 015)** | (2 281 220) |
| Loss on scrapping of assets | | – | (1 119 889) |
| Sundry expenses | | **(2 283)** | (8 151) |
| Asset management fees | *20* | **(2 145 664)** | (2 058 645) |
| **Net surplus for the year** | | **39 849 047** | 49 885 234 |
| **Other comprehensive income** | | – | – |
| **Total comprehensive income for the year** | | **39 849 047** | 49 885 234 |

**PLATINUM HEALTH MEDICAL SCHEME**

**STATEMENT OF CHANGES IN FUNDS**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Members' Funds R |
|---|---|
| Balance at 31 December 2017 | 366 525 806 |
| Total comprehensive income for the year | 49 885 234 |
| Balance at 31 December 2018 | 416 411 040 |
| Total comprehensive income for the year | **39 849 047** |
| **Balance at 31 December 2019** | **456 260 087** |

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

| | *Note* | **2019** **R** | 2018 R |
|---|---|---|---|
| **Net cash (outflow) / inflow from operating activities** | | | |
| Cash (utilised in) / generated by operations | *21* | **(21 744 403)** | 87 795 755 |
| Cash received from members | | **1 331 053 427** | 1 425 483 797 |
| Cash paid to suppliers and employees | | **(1 352 797 830)** | (1 337 688 042) |
| **Net cash inflow from investing activities** | | **6 008 696** | 2 284 516 |
| Purchase of property, plant and equipment | *2* | **(4 607 165)** | (5 761 513) |
| Interest received on bank accounts | *16* | **10 516 437** | 7 857 882 |
| Proceeds on disposal of assets | | **99 424** | 188 147 |
| Interest received on investments | *16* | **18 306 453** | 16 291 225 |
| Income received on real estate investment unit trusts | *21* | **4 478** | 798 |
| Dividends received on investments | *16* | **5 656 859** | 4 765 815 |
| Proceeds on disposal of investments to pay management fees | *4* | **2 145 664** | 2 058 645 |
| Asset management fee paid | *4* | **(2 145 664)** | (2 058 645) |
| Costs incurred in maintaining the investment | *4* | **(26 438)** | (23 331) |
| Net investment income capitalised | *4* | **(23 941 352)** | (21 034 507) |
| **Net cash outflow from financing activities** | | **(10 454 602)** | – |
| Payments for right-of-use assets | *6.1* | **(1 857 574)** | – |
| Interest paid on right-of-use assets | *6.1* | **(8 597 028)** | – |
| **Net (decrease) / increase in cash and cash equivalents** | | **(26 190 309)** | 90 080 271 |
| **Cash and cash equivalents at beginning of year** | *5* | **234 154 060** | 144 073 789 |
| **Cash and cash equivalents at end of year** | *5* | **207 963 751** | 234 154 060 |

## 1. ACCOUNTING POLICIES

### 1.1 Basis of preparation

The annual financial statements set out on pages 21 to 80 are 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 financial statements are prepared on the historical cost basis unless specifically stated otherwise in the accounting policies. The annual financial statements are presented in Rands, the functional currency of the Scheme, and all values are rounded to the nearest Rand. The annual 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 except for IFRS 16 which required a new accounting treatment for leases.

**Standards or Interpretations issued but not yet effective**

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

| Standard/Interpretation | Pronouncement | Effective date |
|---|---|---|
| | **Key requirements** | |
| IFRS 17 Insurance Contracts | The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.<br>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:<br>• A specific adaptation for contracts with direct participation features (the variable fee approach)<br>• A simplified approach (the premium allocation approach) mainly for short-duration contracts<br>The main features of the new accounting model for insurance contracts are, as follows:<br>• The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)<br>• 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)<br>• 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. | 1 January 2021 |

## 1. ACCOUNTING POLICIES (Continued)

### 1.2 Changes in accounting policies (Continued)

| Standard/Interpretation | Pronouncement | Effective date |
|---|---|---|
| IFRS 17 Insurance Contracts | • 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<br>• 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<br>• 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<br>• Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense<br>• Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts<br><br>**Impact**<br>Platinum Health Medical Scheme 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 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. | 1 January 2021 |

## 1. ACCOUNTING POLICIES (Continued)

### 1.2 Changes in accounting policies (Continued)

| Standard/Interpretation | Pronouncement | Effective date |
|---|---|---|
| | **Key requirements** | |
| Amendments to IFRS 3: Definition of a Business | In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.<br>IFRS 3 specifies that assets and liabilities recognized in a business combination must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements issued in 1989 (1989 Framework). Unlike other IFRS Standards, the references in IFRS 3 have not been updated. This is because the definitions of assets and liabilities in the 2018 Conceptual Framework are broader than in the 1989 Framework and updating the references might have resulted in additional assets and liabilities being recognized in a business combination. This effect is undesirable as these assets and liabilities may not meet the recognition criteria of other Standards, which are to be applied following the business combination. This would result in derecognition and a 'Day 2' gain or loss that would not depict an economic loss or gain.<br>**Impact**<br>Platinum Health Medical Scheme is still in the process of assessing the impact of the amendments to IFRS 3 on the acquisition of RA Gilbert Proprietary Limited (RAG). The clarity is needed in definition of a business with the aim of determining whether this acquisition would be accounted for as an asset acquisition or a business combination. Platinum Health Board needs to decide if they want to apply the concentration test to determine whether RAG is not a business. If the test is successful, then RAG is not a business and no further assessment is required. If the test is not met or the Scheme does not carry out the test, then the Scheme needs to assess whether or not the RAG acquisition meets the definition of a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. Gross assets exclude cash and cash equivalents, deferred tax assets and goodwill resulting from the effects of deferred tax liabilities. If the concentration test fails, or the entity opts not to apply the concentration test, then the entity needs to consider the minimum requirements to meet the definition of a business and if the acquired process is substantive.<br>The changes are to be applied prospectively to business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. | 1 January 2020 |

## 1. ACCOUNTING POLICIES (Continued)

### 1.2 Changes in accounting policies (Continued)

**The Conceptual Framework for Financial Reporting**

Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

Purpose

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the IAS Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Key provisions

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance

The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 and for those applying IAS 8.

Impact

The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

Platinum Health Medical Scheme intends to adopt all Standards and Interpretations issued not yet effective on the effective date.

## 1. ACCOUNTING POLICIES (Continued)

### 1.2 Changes in accounting policies (Continued)

**Impact of standards issued on or from 1 January 2019 and adopted by the Scheme**

The Scheme adopted IFRS 16 Leases, the adoption of this standard has a material impact on the Scheme.

Operating Leases as a lessee:

The Scheme's operating leases include mainly leases of buildings and equipment.

Buildings:

The Scheme leases fourteen buildings from which it conducts business. The lease terms, and the remaining lease terms at the date of initial application vary. The lease payments are adjusted every year, based on the change in escalation per the lease agreement in the preceding year. If the scheme exercises the renewal option, then the lease payments in the renewal period will reflect the then market rate.

For the purpose of applying the modified retrospective approach to these leases, the Scheme elects to:

- apply the practical expedient to use hindsight when assessing the lease term; and
- apply the practical expedient to exclude initial direct costs from the right-of-use asset

None of the leases are subject to variable lease payments and all leases with a renewable period option have been extended as if the lease extension will be opted. The Scheme has a long-term expectation of continuing to render services from the leased premises.

Equipment:

The Scheme leases equipment. The Scheme elects to apply the recognition exemption for leases of low-value assets and leases of a short term.

Based on the above, as at 1 January 2019:

- Right-of-use assets were recognised and presented under Property, plant and equipment as a separate asset category to the value of R68 895 599;
- Lease liabilities of R68 895 599 (included in Long term liabilities) were recognised.

The lease liability as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

| | R |
|---|---|
| Operating fixed lease commitments as at 31 December 2018 | 34 986 857 |
| Variable rate lease commitments not required to be disclosed prior year | 90 562 180 |
| Total operating lease commitments as at 31 December 2018 | 125 549 037 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 12.47% |
| Discounted operating lease commitment as at 1 January 2019 | 71 150 179 |
| Less: | |
| Commitments relating to short term leases | 2 087 326 |
| Commitments relating to leases of low value assets | 167 254 |
| Lease liability as at 1 January 2019 | 68 895 599 |

## 1. ACCOUNTING POLICIES (Continued)

### 1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Scheme'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 Scheme'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 Scheme'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

### 1.4 Provisions

Provisions are recognised when the Scheme 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 Scheme 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. ACCOUNTING POLICIES (Continued)

### 1.4 Provisions (Continued)

*Outstanding claims provision*

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.

*Leave pay provision*

The leave pay provision is calculated based on the number of employees expected to utilise their outstanding leave days in the following periods. Management considers previous experience in leave utilisation patterns which gives rise to estimation uncertainty in the determination of the provision.

*Holiday leave allowance provision*

The holiday leave allowance provision is calculated based on the employees opting to have their thirteenth cheque paid out annually and is accumulated as one twelfth of their annual salary which gives rise to estimation uncertainty in the determination of the provision.

### 1.5 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 revenue. 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.

### 1.6 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.

## 1. ACCOUNTING POLICIES (Continued)

### 1.7 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.

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.

### 1.8 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.

### 1.9 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 Scheme recognises the deficiency in surplus or deficit for the year.

### 1.10 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.

## 1. ACCOUNTING POLICIES (Continued)

### 1.11 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 Scheme considers whether a contract contains an embedded derivative when the entity first becomes a party to it.

The Scheme 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 Schemes' financial assets include cash and short-term deposits, trade and other receivables, loans 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 surplus or deficit 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 surplus or deficit. Gains and losses exclude interest and dividend income. Gains and losses on derecognition of the financial assets are recognised in profit or loss.

*Loans and receivables*
Loans and receivables 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 loans and receivables 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 surplus or deficit when the loans and receivables 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 Scheme 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 Scheme does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Scheme 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.

## 1. ACCOUNTING POLICIES (Continued)

### 1.11 Financial instruments (Continued)

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

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 Scheme. 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. If a write-off is later recovered, the recovery is credited in surplus or deficit.

***Insurance receivables***

The Scheme 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 Scheme. 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. If a write-off is later recovered, the recovery is credited in surplus or deficit.

## 1. ACCOUNTING POLICIES (Continued)

### 1.11 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 Scheme 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 Scheme has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Scheme 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 Scheme's continuing involvement in the asset.

In that case, the Scheme 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 Scheme has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Scheme could be required to repay.

**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 Scheme's financial liabilities include trade and other payables and derivative financial instruments.

***Derecognition***

A financial liability is derecognised when the 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.

## 1. ACCOUNTING POLICIES (Continued)

### 1.11 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.

### 1.12 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.

### 1.13 The Road Accident Fund

The Scheme 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 Scheme.

This contingent asset is assessed continually to ensure that developments are appropriately reflected in the annual 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 financial statements in the period in which the change occurs. If an inflow of economic benefits has become probable, the Scheme 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. ACCOUNTING POLICIES (Continued)

### 1.14 Managed healthcare: management services

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

### 1.15 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.

### 1.16 Retirement contributions

The Scheme 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.

### 1.17 Finance costs

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

### 1.18 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

### 1.19 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.

### 1.20 Management fees

Management fees comprise management services rendered by the Scheme to related parties (refer to note 25). Management fee income is recognised as income when rendered.

## 1. ACCOUNTING POLICIES (Continued)

### 1.21 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 6 of the annual financial statements).

### 1.22 Property, plant and equipment

Computer hardware, motor vehicles and 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 Scheme 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 Scheme estimates the asset`s recoverable amount.

### 1.23 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.

### 1.24 Leases

Platinum Health has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 6.

## 1. ACCOUNTING POLICIES (Continued)

### 1.24 Leases (Continued)

**Leases right-of-use assets**

***Policy applicable from 1 January 2019***

At inception of a contract, Platinum Health 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, Platinum health 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;
— Platinum Health has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
— Platinum Health has the right to direct the use of the asset. Platinum Health 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, Platinum Health has the right to direct the use of the asset if either:
— Platinum Health has the right to operate the asset; or
— Platinum Health designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, Platinum Health allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, Platinum Health has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**As a lessee**

Platinum Health 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, Platinum Health's incremental borrowing rate. Generally, Platinum Health 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

## 1. ACCOUNTING POLICIES (Continued)

### 1.24 Leases (Continued)

**As a lessee (Continued)**

— 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 Platinum Health is reasonably certain to exercise, lease payments in an optional renewal period if Platinum Health 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.

The lease liability is measured at amortised cost using the effective interest 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 Platinum Health's estimate of the amount expected to be payable under a residual value guarantee, or if Platinum Health 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.

Platinum Health presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

Platinum Health 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. Platinum Health recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

***Policy applicable before 1 January 2019***
For contracts entered into before 1 January 2019, Platinum Health determined whether the arrangement was or contained a lease based on the assessment of whether:
— fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
— the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
— the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
— the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
— facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

## 1. ACCOUNTING POLICIES (Continued)

### 1.24 Leases right-of-use assets (Continued)

*Under IAS 17*

In the comparative period, as a lessee Platinum Health classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in Platinum Health's statement of financial position. Payments made under operating leases were recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

## 2. PROPERTY, PLANT AND EQUIPMENT

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Cost R** | **Accumulated depreciation R** | **Carrying value R** | Cost R | Accumulated depreciation R | Carrying value R |
| Computer hardware | **2 347 875** | **(1 508 043)** | **839 832** | 1 838 682 | (1 086 019) | 752 663 |
| Computer software | **310 960** | **(129 567)** | **181 393** | – | – | – |
| Plant and equipment | **12 822 973** | **(3 766 673)** | **9 056 300** | 9 398 256 | (2 655 580) | 6 742 676 |
| Office equipment | **70 765** | **(25 219)** | **45 546** | 70 765 | (11 066) | 59 699 |
| Furniture and fittings | **38 900** | **(10 265)** | **28 635** | 38 900 | (3 782) | 35 118 |
| Right-of-use assets | **68 895 599** | **(7 318 101)** | **61 577 498** | – | – | – |
| Motor vehicles | **4 278 083** | **(3 303 384)** | **974 699** | 3 925 113 | (2 851 130) | 1 073 983 |
| | **88 765 155** | **(16 061 252)** | **72 703 903** | 15 271 716 | (6 607 577) | 8 664 139 |

Reconciliation of carrying value of Property, plant and equipment

| **2019** | **Carrying value at beginning of year R** | **Additions R** | **Disposals R** | **Depreciation R** | **Carrying value at end of year R** |
|---|---|---|---|---|---|
| Computer hardware | **752 663** | **518 058** | **–** | **(430 889)** | **839 832** |
| Computer software | **–** | **310 960** | **–** | **(129 567)** | **181 393** |
| Plant and equipment | **6 742 676** | **3 425 177** | **–** | **(1 111 553)** | **9 056 300** |
| Office equipment | **59 699** | **–** | **–** | **(14 153)** | **45 546** |
| Furniture and fittings | **35 118** | **–** | **–** | **(6 483)** | **28 635** |
| Right-of-use assets | **–** | **68 895 599** | **–** | **(7 318 101)** | **61 577 498** |
| Motor vehicles | **1 073 983** | **352 970** | **–** | **(452 254)** | **974 699** |
| | **8 664 139** | **73 502 764** | **–** | **(9 463 000)** | **72 703 903** |
| 2018 | | | | | |
| Computer hardware | 8 239 | 1 151 207 | (277 891) | (128 892) | 752 663 |
| Plant and equipment | 5 139 879 | 3 498 047 | (1 010 398) | (884 852) | 6 742 676 |
| Office equipment | 41 009 | 46 679 | (10 864) | (17 125) | 59 699 |
| Furniture and fittings | – | 48 590 | (8 883) | (4 589) | 35 118 |
| Motor vehicles | 598 005 | 1 016 990 | – | (541 012) | 1 073 983 |
| | 5 787 132 | 5 761 513 | (1 308 036) | (1 576 470) | 8 664 139 |

| | 2019<br>R | 2018<br>R |
|---|---|---|
| **3. TRADE AND OTHER RECEIVABLES** | | |
| *Insurance receivables* | | |
| Contributions outstanding | **24 512 983** | 21 484 988 |
| Less: Allowance for impairment losses | **(1 234 627)** | (959 019) |
| – Allowance for impairment losses at beginning of year | **(959 019)** | (701 817) |
| – Increase in allowance for the year (Note 14) | **(275 608)** | (257 202) |
| – Utilised | **1 214 409** | 48 373 |
| – Raised | **(1 490 017)** | (305 576) |
| | **23 278 356** | 20 525 969 |
| *Non-insurance receivables* | **28 246 361** | 32 858 933 |
| Trade and discount receivables | **24 877 231** | 24 407 565 |
| Deposits | **1 439 217** | 962 017 |
| Accrued interest on bank balances | **964 898** | 836 732 |
| Prepayments | **965 015** | 1 086 239 |
| Share of other risk transfer arrangements for outstanding claims | – | 982 835 |
| Platmed Proprietary Ltd * | – | 4 583 545 |
| | **51 524 717** | 53 384 902 |

At 31 December 2019 and 2018 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.

* Related party receivables are non-interest bearing, unsecured and are repayable within one month.

Non-insurance receivables inclusive of related party balances have been considered for impairment and deemed immaterial as the probability of default is considered very low.

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.

| 4. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS | 2019 R | 2018 R |
|---|---|---|
| **Designated upon initial recognition** | | |
| Fair value at the beginning of the year | **325 213 563** | 314 679 866 |
| Asset management fee | **(2 145 664)** | (2 058 645) |
| Cost incurred in maintaining the investment | **(26 438)** | (23 331) |
| Investment income re-invested before cost incurred in maintaining the investment | **23 967 790** | 21 057 838 |
| Realised gain on disposal of investments (Note 16) | **55 845** | 2 448 559 |
| Fair value adjustment (Include equities, bills, bonds and debentures and cash and deposits) | **405 392** | (10 890 724) |
| Fair value at the end of the year | **347 470 488** | 325 213 563 |
| The investments are classified as follows: | | |
| Bills, bonds and debentures | **128 632 227** | 111 521 918 |
| Equity | **107 212 946** | 116 245 673 |
| Cash and deposits | **111 625 315** | 97 445 972 |
| Fair value at the end of the year | **347 470 488** | 325 213 563 |

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 unit trusts was 7.23% (2018: 3.91%).

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.

**Fair values of financial assets by hierarchy level**

Assets measured at fair value

| 2019 | *Level 1* *R'000* | *Level 2* *R'000* | *Level 3* *R'000* | *Reclassification* *R'000* |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | |
| – Bonds | – | **128 632 227** | – | – |
| – Equity | **107 212 946** | – | – | – |
| – Cash and deposits | **111 625 315** | – | – | – |
| Total | **218 838 261** | **128 632 227** | – | – |

During 2020, management has reassessed facts and circumstances and no longer believe the bond market to be active as per the South African Reserve Bank issued guidance.

## 4. 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 were transferred from level 1 to level 2. These bond instruments, while valued on quoted prices, are not actively traded sufficiently to be categorised as level 1.

Except for this transfer there were no other transfers between levels during the current year. 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.

| 2018 | *Level 1* *R'000* | *Level 2* *R'000* | *Level 3* *R'000* | *Reclassification* *R'000* |
|---|---|---|---|---|
| – Bonds | 111 521 918 | – | – | – |
| – Equity | 116 245 673 | – | – | – |
| – Cash and deposits | 97 445 972 | – | – | – |
| Total | 325 213 563 | – | – | – |

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. |

## 5. CASH AND CASH EQUIVALENTS

| | **2019** **R** | 2018 R |
|---|---|---|
| Call accounts | **152 819 250** | 80 492 964 |
| Current accounts | **55 130 199** | 153 572 556 |
| Petty cash | **14 302** | 88 540 |
| Cash and cash equivalents as per statement of cash flows | **207 963 751** | 234 154 060 |

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 6.81% (2018: 6.39%) and on current accounts was 3.36% (2018: 3.39%).

At 31 December 2019 and 2018, the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

| | 2019<br>R | 2018<br>R |
|---|---|---|
| **6. LONG TERM LIABILITIES** | | |
| 6.1 Lease Liability Right-of-use assets | | |
| Initial cost of lease liability 1 January 2019 | **68 895 599** | – |
| Interest for the year (Note 18) | **8 597 028** | – |
| Paid during the year | **(10 454 602)** | – |
| Payable within 1 year (Note 7) | **(11 622 793)** | – |
| Balance at end of the year | **55 415 232** | – |
| The maturity analysis of the lease liability is as follows: | | |
| Within one year classified under current liabilities | **11 622 793** | – |
| Two to five years | **52 834 737** | – |
| More than five years | **50 636 905** | – |
| Total future payments | **103 471 642** | – |

The lease liability right-of-use assets only consist of operating 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 17.

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) | **7 318 101** | – |
| – Interest expenses on lease liabilities (Note 18) | **8 597 028** | – |
| – Expenses related to low value assets (Note 17) | **167 254** | 151 313 |
| – Expenses related to short term leases (Note 17) | **2 087 326** | 1 741 045 |
| Total amount recognised in surplus or deficit | **18 169 709** | 1 892 358 |
| 6.2 Long-term incentives | | |
| Provision for long-term incentive scheme (LTIS) | | |
| Balance at beginning of the year | **19 784 885** | 8 235 211 |
| Provided during the year | **17 922 379** | 22 317 779 |
| Payable within 1 year (Note 7) | **(17 966 090)** | (10 768 105) |
| Balance at end of the year | **19 741 174** | 19 784 885 |

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 (Note7) 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:

## 6. LONG TERM LIABILITIES (Continued)

6.2 Long-term incentives (Continued)

| | 2019 R | 2018 R |
|---|---|---|
| 2017 portion not yet recognised | – | 5 330 385 |
| 2018 portion not yet recognised | **7 398 332** | 15 565 032 |
| 2019 portion not yet recognised | **6 134 983** | – |
| Total amount not yet recognised | **13 533 315** | 20 895 417 |
| **Total long-term liabilities** | **75 156 406** | 19 784 885 |

## 7. TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| *Insurance payables* | **7 318 679** | 34 339 737 |
| Unallocated deposits: Employer group | **2 934 412** | 4 128 333 |
| : Pensioner's contributions received in advance | **2 167 461** | 3 275 493 |
| Reported claims not yet paid | **2 216 806** | 25 953 076 |
| – Balance at the beginning of the year | **25 953 076** | 10 174 137 |
| – Claimed during the year (Note 11) | **864 313 623** | 982 569 144 |
| – Paid during the year | **(888 049 892)** | (966 790 205) |
| Accrual for outstanding claims under other risk transfer arrangements | – | 982 835 |
| *Non-insurance liabilities* | **71 211 826** | 94 436 858 |
| Other payables and accrued expenses | **15 859 657** | 18 984 418 |
| Payroll creditors | **209 085** | 5 654 019 |
| Short term incentive bonus liability | **17 948 842** | 42 856 392 |
| Long-term incentive bonus liability payable within one year (Note 6) | **17 966 090** | 10 768 105 |
| Lease liability right-of-use assets payable within one year (Note 6) | **11 622 793** | – |
| South African Revenue Services – VAT | **591 212** | 827 433 |
| Payment received in advance under capitation fee services | **3 760 305** | 3 161 494 |
| RA Gilbert Proprietary Limited | **6 989 958** | 12 130 623 |
| Platmed Proprietary Limited | **1 848 551** | – |
| Platmed Properties Proprietary Limited | – | 54 374 |
| Total trade and other payables | **84 115 172** | 128 776 595 |

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 and 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 |
|---|---|---|---|
| 8. | **OUTSTANDING CLAIMS PROVISION** | | |
| | **2019** | | |
| | Provision for outstanding claims | | |
| | – Incurred but not yet reported | – | **49 400 000** |
| | **Analysis of movements in outstanding claims** | | |
| | Balance at beginning of year | 982 835 | **39 017 165** |
| | Payments in respect of prior year | (982 835) | **(38 703 838)** |
| | Over provision in prior year | – | **313 327** |
| | Adjustment for current year | – | **49 086 673** |
| | Balance at end of year | – | **49 400 000** |
| | **Analysis of outstanding claims provision** | | |
| | Estimated gross claims | – | **49 400 000** |
| | | – | **49 400 000** |
| | **Net exposure in respect of outstanding claims** | | |
| | Gross outstanding claims | – | **49 400 000** |
| | Net outstanding claims | – | **49 400 000** |
| | **2018** | | |
| | Provision for outstanding claims | | |
| | – Incurred but not yet reported | 982 835 | 39 017 165 |
| | **Analysis of movements in outstanding claims** | | |
| | Balance at beginning of year | 866 964 | 45 133 036 |
| | Payments in respect of prior year | (866 964) | (41 899 132) |
| | Over provision in prior year | – | 3 233 904 |
| | Adjustment for current year | 982 835 | 35 783 261 |
| | Balance at end of year | 982 835 | 39 017 165 |
| | **Analysis of outstanding claims provision** | | |
| | Estimated gross claims | 982 835 | 40 000 000 |
| | Outstanding claims provision relating to risk transfer arrangement | – | (982 835) |
| | | 982 835 | 39 017 165 |
| | **Net exposure in respect of outstanding claims** | | |
| | Gross outstanding claims | 982 835 | 40 000 000 |
| | Less: Estimated recoveries from risk transfer arrangements | – | (982 835) |
| | Net outstanding claims | 982 835 | 39 017 165 |

## 8. OUTSTANDING CLAIMS PROVISION (Continued)

**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.

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 2019 and 2018 benefit years. The expected claims ratio assumed for the benefit years 2019 and 2018 is 38% & 38% for in-hospital, 20% & 21% for chronic 7% & 7% 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.

## 8. OUTSTANDING CLAIMS PROVISION (Continued)

**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 86.76% (2018: 87.74%) of actual 2019 claims processed from January 2020 to March 2020 which relate to 2019 claims processed in 2020. 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.

| | *Change in variable* | *Change in liability* | |
|---|---|---|---|
| | | **2019** | 2018 |
| | **%** | **R** | R |
| In-hospital benefits: 38% (2018: 38%) | 1 | **3 820 414** | 4 110 339 |
| Specialist costs: 13% (2018: 12%) | 1 | **1 296 293** | 1 351 763 |
| Pharmaceutical and Chronic medicine costs: 20% (2018: 21%) | 1 | **2 036 639** | 2 303 069 |
| Clinical Pathology: 7% (2018: 7%) | 1 | **698 426** | 803 228 |
| Average claims for the Scheme | 1 | **961 305** | 1 092 270 |
| Manual claims (transactions) as a % of total claims (transactions) | 1 | **6.65%** | 8.85% |

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.

## 9. PROVISIONS

| | **Leave pay** | **Holiday leave allowance** | **Total** |
|---|---|---|---|
| | **R** | **R** | **R** |
| **2019** | | | |
| Balance at the beginning of the year | **14 001 647** | **2 790 973** | 16 792 620 |
| Net (utilised) / accumulated during the year | **(1 959 022)** | **250 343** | (1 708 680) |
| Balance at the end of the year | **12 042 625** | **3 041 315** | 15 083 940 |
| 2018 | | | |
| Balance at the beginning of the year | 10 474 383 | 3 003 245 | 13 477 628 |
| Net accumulated / (utilised) during the year | 3 527 264 | (212 272) | 3 314 992 |
| Balance at the end of the year | 14 001 647 | 2 790 973 | 16 792 620 |

## 9. PROVISIONS (Continued)

### Leave pay

The leave pay provision 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 provision 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. This allowance is only payable once an employee takes 10 consecutive days compulsory leave within an 18 months period from date of appointment or on anniversary of date of appointment.

| 10. GROSS CONTRIBUTION INCOME | **2019** **R** | 2018 R |
|---|---|---|
| Gross contributions | **1 309 568 438** | 1 420 717 815 |

| 11. NET CLAIMS INCURRED | 2019<br>R | 2018<br>R |
|---|---|---|
| **Claims incurred, excluding claims incurred in respect of risk transfer arrangements** | | |
| Current year claims | **864 741 340** | 982 569 144 |
| Services provided to members in own facilities (Note 17) | **289 745 516** | 268 396 301 |
| Accredited managed care – healthcare services | **410 321** | 3 708 045 |
| Movement in outstanding claims provision | **49 400 000** | 39 017 165 |
| – Over provision in prior year | **313 327** | 3 233 904 |
| – Adjustment for current year | **49 086 673** | 35 783 261 |
| | **1 204 297 177** | 1 293 690 655 |
| **Claims incurred in respect of risk transfer arrangements** | | |
| Current year claims incurred in respect of risk transfer arrangements | **7 808 538** | 8 885 136 |
| Movement in outstanding claims provision | | |
| – Adjustment for current year (Note 8) | **–** | 982 835 |
| | **7 808 538** | 9 867 971 |
| Third party claims recovery (Road Accident Fund) | **(3 683 859)** | (1 486 939) |
| Net claims incurred | **1 208 421 856** | 1 302 071 687 |

| 12. NET LOSS ON RISK TRANSFER ARRANGEMENTS | | |
|---|---|---|
| Rustenburg Specialists | **1 818 868** | 1 611 427 |
| Premiums paid to Rustenburg Specialists | **9 627 406** | 11 479 398 |
| Less: Rustenburg Specialists services at Scheme rates (claims figures received directly from service provider) | **(7 808 538)** | (9 867 971) |
| Loss on risk transfer arrangements | **1 818 868** | 1 611 427 |

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.

## 13. MANAGED CARE: MANAGEMENT SERVICES

| | 2019 R | 2018 R |
|---|---|---|
| **External** | | |
| Knowledge Objects – Clinical audits | **666 593** | 747 360 |
| Medikredit – Pharmaceutical protocols, formularies and hospital audits | **4 438 462** | 3 071 543 |
| | **5 105 055** | 3 818 903 |
| **Internal** | | |
| Development, implementation and management of agreements with provider networks and providers | **2 839 547** | 2 740 349 |
| Claims management services | **811 299** | 782 957 |
| Disease management | **811 299** | 782 957 |
| HIV management | **405 650** | 391 478 |
| Disease/prescribed minimum benefit | **405 650** | 391 478 |
| Managed hospital care | **811 299** | 782 957 |
| Contracted network primary health care and specialist services | **405 650** | 391 478 |
| Oncology utilisation management | **811 299** | 782 957 |
| Psychiatric and phycology benefit management | **162 260** | 156 592 |
| Radiology management services | **405 650** | 391 478 |
| Service provider negotiations and management | **162 260** | 156 592 |
| Optical management | **81 130** | 78 296 |
| | **8 112 993** | 7 829 569 |
| Total Managed Care – Management Services | **13 218 048** | **11 648 472** |

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

## 14. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES

| | 2019 R | 2018 R |
|---|---|---|
| Contributions not collectable | | |
| Movement in provision (Note 3) | **(275 608)** | (257 202) |
| Impairment loss recognised directly to statement of comprehensive income | **(1 214 409)** | (48 374) |
| | **(1 490 017)** | (305 576) |

Impairment loss recognized of R1 214 409 is for insurance debtors that could not be recovered in the current year.

The provision amount of R1 234 627 is the provision for the 2019 financial year of the expected credit losses arising as a result of insurance debtors R865 759 and trade and other receivables R368 868.

The increase in the impairment losses in 2019 is a direct result of medical scheme administration not being able to recover long outstanding contributions from insurance debtors in the financial year as well as a small participating employer being liquidated to the end of the financial year.

| 15. ADMINISTRATION EXPENSES | 2019 R | 2018 R |
|---|---|---|
| **Scheme** | | |
| Accommodation | **3 224 099** | 3 095 940 |
| Administration salaries | **40 191 949** | 40 822 598 |
| Advertising marketing and promotions costs | **2 622 145** | 2 309 266 |
| Audit fees (Note 17 and Note 19) | **2 637 612** | 2 591 095 |
| Bank charges | **523 850** | 609 601 |
| Computer costs | **4 724 674** | 3 892 211 |
| Conference and seminars | **271 065** | 135 585 |
| Consultant fees | **3 501 794** | 1 259 166 |
| Depreciation | **1 832 661** | 317 864 |
| Entertainment | **1 256 889** | 1 074 640 |
| Fidelity guarantee insurance premium | **1 640 913** | 282 612 |
| Insurance premiums: Other | **963 068** | 449 074 |
| Legal expenses | **1 211 155** | 2 352 423 |
| Management fees | **3 124 943** | 4 718 455 |
| Motor vehicle expenses and fuel cost | **3 273 139** | 3 646 541 |
| Principal Officer's fees and remuneration | **2 376 856** | 2 471 193 |
| Record storage | **(217 408)** | 93 431 |
| Registrar's levies | **2 397 733** | 2 187 021 |
| Removal cost | **17 713** | 1 045 |
| Stationery and printing | **1 992 030** | 1 824 167 |
| Subscriptions | **238 966** | 442 780 |
| Telephone and postage | **1 114 268** | 1 504 986 |
| Transport costs | **874** | 32 449 |
| Total | **78 920 988** | 76 114 143 |

| 16. INVESTMENT INCOME | | |
|---|---|---|
| Investment income received (financial assets at fair value through profit or loss) | **24 019 157** | 23 505 599 |
| – Interest on investments at fair value | **18 306 453** | 16 291 225 |
| – Dividends | **5 656 859** | 4 765 815 |
| – Realised gain on disposal of investments (Note 4) | **55 845** | 2 448 559 |
| Interest on bank accounts (loans and receivables) | **10 516 437** | 7 857 882 |
| | **34 535 594** | 31 363 481 |

| 17. OWN FACILITY SURPLUS | 2019 Members R | 2019 External Parties R | 2018 Members R | 2018 External Parties R |
|---|---|---|---|---|
| Income from the use of own facilities | **309 051 406** | **103 345 363** | 287 661 147 | 94 767 942 |
| – By members (Note 11) * | **289 745 516** | – | 268 396 301 | – |
| – By Members Levies received | **4 274 996** | – | 5 284 211 | – |
| – By members Pharmacy | **15 030 894** | – | 13 980 635 | – |
| – By external parties Employee assistance programme | – | **4 016 914** | – | 2 143 916 |
| – By external parties Capitation fee income | – | **99 328 449** | – | 92 624 026 |
| Less: Costs incurred in the provision of own facilities to members and external parties | **(309 051 406)** | **(97 630 113)** | (287 661 147) | (89 013 340) |
| – Salaries and wages | **(160 173 645)** | **(69 024 318)** | (184 021 234) | (64 957 331) |
| – Accommodation | **(1 492 194)** | **(106 667)** | (469 085) | (209 843) |
| – Advertising marketing and promotions costs | **(27 681)** | – | (21 891) | (4 000) |
| – Audit fees (Note 19) | – | **(210 075)** | – | (144 242) |
| – Bank charges | **(57 450)** | – | (12 236) | – |
| – Cleaning services | **(7 230 712)** | **(610 391)** | (6 444 974) | (1 343 484) |
| – Computer costs | **(20 334 437)** | **(3 328 204)** | (6 740 869) | (504 271) |
| – Clothing | **(735 744)** | **(657 924)** | (1 481 065) | – |
| – Consultant fees | **(412 526)** | **(99 390)** | (2 142 915) | (231 840) |
| – Consumables | **(1 546 085)** | **(183 577)** | (1 682 620) | (68 550) |
| – Depreciation** | **(7 592 854)** | **(37 485)** | (1 247 178) | (11 428) |
| – Emergency medical services at capitation fee facilities | – | **(12 844 430)** | – | (12 374 286) |
| – Entertainment | **(184 553)** | **(95 405)** | (117 378) | (14) |
| – Foodstuffs | **(1 442 784)** | **(99 533)** | (1 449 410) | (142 024) |
| – Insurance cost | **(202 260)** | – | – | – |
| – Interest paid on lease liability right-of-use assets** (Note18) | **(7 282 015)** | – | – | – |
| – Legal expenses | **(10 120)** | – | (3 580) | (22 107) |
| – Maintenance and repairs | **(12 795 869)** | **(165 908)** | (6 942 460) | (791 184) |
| – Management fees | **(5 052 414)** | **(1 361 150)** | (9 731 239) | (1 858 774) |
| – Medical waste removal | **(143 772)** | **(89 145** | (255 344) | (6 234) |
| – Motor vehicle expenses and fuel cost | **(1 360 953)** | **(544 201)** | (3 475 821) | (454 791) |
| – Pharmaceutical and other medical related expenses*** | **(51 986 546)** | **(4 531 281)** | (29 177 262) | (3 824 324) |
| – Pharmacy expenses incurred | **(13 358 618)** | – | (12 212 701) | – |
| – Record storages | **(54 402)** | – | (21 429) | (34) |
| – Recruitment costs | **(228 551)** | **(249 504)** | (627 270) | – |
| – Rental of equipment*** | – | **(2 087 326)** | – | (1 741 045) |
| – Rental offices** | **(1 094 281)** | – | (8 246 472) | (1 140) |
| – Security services | **(2 258 544)** | **(268 674)** | (898 298) | (379 106) |
| – Small assets written off | **(3 426 201)** | **32 714** | (1 749 197) | (121 951) |
| – Stationery and printing | **(675 673)** | **(128 200)** | (765 897) | (76 324) |
| – Subscriptions | **(204 196)** | **(11 855)** | (172 085) | (7 320) |
| – Telephone and postage | **(1 319 698)** | **(66 204)** | (1 654 269) | (57 998) |
| – Training | **(566 235)** | **(19 130)** | (442 455) | (2 600) |
| – Transportation cost | **(639 536)** | **(220 197)** | (307 533) | (49 515) |
| – Water and electricity | **(5 521 554)** | **(553 058)** | (5 195 765) | (69 404) |
| – Other revenue / (expenses) | **360 697** | **(69 595)** | 28 785 | 441 823 |
| Surplus | – | **5 715 250** | – | 5 754 602 |

17. **OWN FACILITY SURPLUS** (Continued)

The Scheme provides healthcare services to its members and external parties from leased facilities. The Scheme 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 Scheme'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 11). The salary cost and other costs incurred to provide services to external parties are shown as expense from external parties.
- (**) The Scheme applied IFRS 16 and the result is an increase in depreciation and interest paid on lease liability right-of-use assets to the amount of R6 095 673 and R7 282 015 respectively and a subsequent reduction in rental paid for offices of R10 545 602. This amount is the VAT exclusive amount as IFRS 16 excludes VAT from the calculation of the lease asset and lease liability. The VAT portion on vatable lease transactions remain a cost under rental offices to an amount of R1 561 703. An adjustment related to straight lining of leases in terms of IAS 17 is included in the rental of offices account as a write back of R467 422
- (***) The Scheme opted not to classify low value asset leases and short-term leases under lease liabilities and the amounts are expensed as follows:

| | **2019** | 2018 |
|---|---|---|
| | **R** | R |
| – Low value assets | **167 254** | 151 313 |
| – Short term leases | **2 087 326** | 1 741 045 |
| **Total** | **2 254 580** | 1 892 358 |

| 18. FINANCE COSTS | 2019 R | 2018 R |
|---|---|---|
| Interest paid | | |
| – Long-Term Incentive Scheme interest accrued | **3 278 002** | 2 281 220 |
| – Lease liability right-of-use assets (classified under administrative expenses) | **1 315 013** | – |
| – Total interest paid lease liability right-of-use assets (Note 6) | **8 597 028** | – |
| – Lease liability right-of-use assets transferred to own facility surplus (Note 17) | **(7 282 015)** | – |
| **Total interest paid** | **4 593 015** | 2 281 220 |

| 19. AUDITORS' REMUNERATION | | |
|---|---|---|
| External audit fees | **1 685 904** | 1 535 522 |
| – Prior year under provision | – | 100 683 |
| Internal audit fee | **1 161 783** | 1 099 132 |
| **Total audit fees paid** | **2 847 687** | 2 735 337 |

| 20. ASSET MANAGEMENT FEES | | |
|---|---|---|
| Asset management fees paid to Allan Gray | **2 145 664** | 2 058 645 |

Fees are payable as per agreement with Allan Gray, based on the investment amounts.

| 21. CASH FLOWS FROM OPERATIONS | 2019 R | 2018 R |
|---|---|---|
| Reconciliation of net surplus for the year to cash generated by operations | | |
| Surplus for the year | **39 849 047** | 49 885 234 |
| Adjustments for: | | |
| – Investment income (Note 16 and Note 3) | **(34 535 594)** | (31 363 481) |
| – Investment income shown under sundry revenue | **(4 478)** | (798) |
| – Cost incurred in maintaining investment (Note 4) | **26 438** | 23 331 |
| – Management fee paid to investment managers (Note 4) | **2 145 664** | 2 058 645 |
| – Movement in impairment losses (Note 14) | **1 490 017** | 305 576 |
| – Movement in leave pay and holiday leave allowance provisions (Note 9) | **(1 708 680)** | 3 314 992 |
| – Movement in long-term liabilities (Note 6) | **(43 711)** | 11 549 674 |
| – Movement in claims provisions (Note 8) | **9 400 000** | (6 000 000) |
| – Depreciation (Note 2) | **9 463 000** | 1 576 470 |
| – Interest paid right-of-use assets (Note 6.1) | **8 597 028** | – |
| – (Profit) / loss on disposal of assets | **(99 424)** | 1 119 889 |
| – Net (gains) / loss on revaluation of investments held at fair value through profit or loss (Note 4) | **(405 392)** | 10 890 724 |
| Surplus before working capital changes | **34 173 915** | 43 360 256 |
| Working capital changes | **(55 918 318)** | 44 435 499 |
| – Decrease / (increase) in trade and other receivables | **370 168** | (23 715 302) |
| – (Increase) / decrease in inventories | **(4 270)** | 290 147 |
| – (Decrease) / increase in trade and other payables | **(56 284 216)** | 67 860 654 |
| **Cash (utilised in) / generated by operations** | **(21 744 403)** | 87 795 755 |

## 22. FINANCIAL RISK MANAGEMENT

The Scheme'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 Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members.

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

## 22. FINANCIAL RISK MANAGEMENT (Continued)

The Scheme's risk management policies are established to identify and analyse the risks faced by the Scheme, 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 Scheme, 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 Scheme's Audit Committee oversees how management monitors compliance with the Scheme'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 Scheme'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 Scheme limits its exposure to credit risk by only investing in liquid securities and only with high credit quality financial institutions. The Scheme 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 Scheme if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Scheme's principal financial assets are cash and cash equivalents, trade and other receivables and investments. The Scheme'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 2020. 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 Scheme is likely to collect 100% of these amounts over the agreed periods in 2020. 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 R1 049 312 (2018: R3 181 560) and impaired amounts to R1 234 627 (2018: R959 019).

## 22. 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 |
|---|---|---|---|---|
| **2019** | | | | |
| Insurance receivables | | | | |
| – Current | – | **22 597 912** | – | **22 597 912** |
| – 30 days | – | – | **1 049 312** | **1 049 312** |
| – 60 days | – | – | – | – |
| – 90 days | – | – | – | – |
| – 120 days | – | – | – | – |
| Other risk transfer arrangements | | | | |
| – Share of outstanding claims provision | – | – | – | |
| Accrued interest on investments | – | **964 898** | – | **964 898** |
| Other receivables | **965 015** | **25 947 579** | – | **25 947 579** |
| Cash and cash equivalents | – | **207 963 751** | – | **207 963 751** |
| Investments | – | **347 470 488** | – | **347 470 488** |
| Total | **965 015** | **604 944 628** | **1 049 312** | **605 993 940** |
| **2018** | | | | |
| Insurance receivables | | | | |
| – Current | – | 17 344 410 | – | 17 344 410 |
| – 30 days | – | – | 1 419 297 | 1 419 297 |
| – 60 days | – | – | 844 892 | 844 892 |
| – 90 days | – | – | 424 425 | 424 425 |
| – 120 days | – | – | 492 946 | 492 946 |
| Other risk transfer arrangements | | | | |
| – Share of outstanding claims provision | – | 982 835 | – | 982 835 |
| Accrued interest on investments | – | 836 732 | – | 836 732 |
| Other receivables | 1 086 239 | 29 953 127 | – | 29 953 127 |
| Cash and cash equivalents | – | 234 154 060 | – | 234 154 060 |
| Investments | – | 325 213 563 | – | 325 213 563 |
| Total | 1 086 239 | 608 484 727 | 3 181 560 | 611 666 287 |

Insurance and other receivables outstanding were impaired by R1 234 627 (2018: R959 019).

22. **FINANCIAL RISK MANAGEMENT** (Continued)

**Credit risk** *(Continued)*

*Instrument analysis*

| Asset class | Top 5 Holdings | Ratings (long term) | % of Portfolio |
|---|---|---|---|
| **2019** | | | |
| Cash (As a percentage of the Scheme's cash portfolio) | First Rand Bank | BBB- (zaf) | **57.67** |
| | Standard Bank | BBB- (zaf) | **20.12** |
| | Nedbank | BBB- (zaf) | **11.06** |
| | Investec | BBB- (zaf) | **5.59** |
| | Absa | BBB- (zaf) | **2.74** |
| | African Bank | – | **2.77** |
| | SAFEX | – | **0.05** |
| Equity (As a percentage of the Allan Gray investment portfolio) | Naspers | Baa3 | **3.26** |
| | British American Tobacco | Baa2 | **3.00** |
| | Glencore | Baa2 | **2.79** |
| | Sasol | Baa3 | **1.39** |
| | Sappi | Baa2 | **1.29** |
| **2018** | | | |
| Cash (As a percentage of the Scheme's cash portfolio) | Standard Bank | BBB- (zaf) | 50.71 |
| | First Rand Bank | BBB- (zaf) | 30.79 |
| | Nedbank | BBB- (zaf) | 7.65 |
| | Investec | BBB- (zaf) | 5.97 |
| | Absa | BBB- (zaf) | 2.35 |
| | African Bank | – | 2.53 |
| Equity (As a percentage of the Allan Gray investment portfolio) | Naspers | Baa3 | 3.26 |
| | Glencore | Baa2 | 2.95 |
| | Standard Bank | BBB- (zaf) | 2.36 |
| | Sasol | Baa3 | 2.12 |
| | British American Tobacco | Baa2 | 2.05 |

**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.

22. **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 Scheme 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 Scheme's Credit Control Policy. Membership is either suspended or terminated for outstanding contributions.

   The application thereof assists in managing the Scheme'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:

   – Over-utilisation of benefits
   – Termination of membership of member or dependants

   The above is managed by applying the Scheme Credit Control Policy. Membership are either suspended or terminated for outstanding contributions. The application thereof assists in that the Scheme's financial risk is managed. 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 from the previous years.

22. **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 Scheme will not be able to meet its financial obligations as they fall due. The Scheme'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 Scheme'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 Scheme 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 30)

The Scheme 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.

22. **FINANCIAL RISK MANAGEMENT** (Continued)

***Liquidity risk*** (Continued)

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

| | 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 2019** | | | | | | |
| **ASSETS** | | | | | | |
| **Current assets** | **604 944 628** | **1 049 312** | – | – | – | **605 993 940** |
| Trade and other receivables | **49 510 389** | **1 049 312** | – | – | – | **50 559 701** |
| Investments held at fair value through profit or loss | **347 470 488*** | – | – | – | – | **347 470 488*** |
| Cash and cash equivalents | **207 963 751** | – | – | – | – | **207 963 751** |
| **Total assets** | **604 944 628** | **1 049 312** | – | – | – | **605 993 940** |
| **LIABILITIES** | | | | | | |
| **Current liabilities** | **91 612 897** | **7 360 636** | **18 567 328** | – | – | **117 540 861** |
| Trade and other payables | **63 038 988** | – | **5 101 873** | – | – | **68 140 861** |
| Outstanding claims provision | **28 573 909** | **7 360 636** | **13 465 455** | – | – | **49 400 000** |
| **Total liabilities** | **91 612 897** | **7 360 636** | **18 567 328** | – | – | **117 540 861** |
| **As at 31 December 2018** | | | | | | |
| ASSETS | | | | | | |
| Current assets | 608 484 726 | 2 264 189 | 917 371 | – | – | 611 666 286 |
| Trade and other receivables | 49 117 103 | 2 264 189 | 917 371 | – | – | 52 298 663 |
| Investments held at fair value through profit or loss | 325 213 563* | – | – | – | – | 325 213 563* |
| Cash and cash equivalents | 234 154 060 | – | – | – | – | 234 154 060 |
| Total assets | 608 484 726 | 2 264 189 | 917 371 | – | – | 611 666 286 |

22. **FINANCIAL RISK MANAGEMENT** (Continued)

***Liquidity risk*** (Continued)

| | 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 2018** (continued) | | | | | | |
| LIABILITIES | | | | | | |
| Current liabilities | 141 087 301 | 11 392 972 | 12 307 395 | – | – | 164 787 668 |
| Trade and other payables | 117 383 842 | – | 7 403 826 | – | – | 124 787 668 |
| Outstanding claims provision | 23 703 459 | 11 392 972 | 4 903 569 | – | – | 40 000 000 |
| Total liabilities | 141 087 301 | 11 392 972 | 12 307 395 | – | – | 164 787 668 |

* The investment in Allan Gray is classified as current as it can be disposed of immediately without maturing restrictions. We 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 2019** | | | | | | |
| Investments held at fair value through profit or loss | **14 009 016** | **52 942 328** | **33 492 272** | **247 026 872** | – | **347 470 488** |
| **As at 31 December 2018** | | | | | | |
| Investments held at fair value through profit or loss | 10 343 488 | 43 754 291 | 50 290 542 | 220 825 242 | – | 325 213 563 |

***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 Scheme'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 Scheme 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.

22. **FINANCIAL RISK MANAGEMENT** (Continued)

***Market risk*** (Continued)

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

**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 Scheme's exposure to the risk of changes in market interest rates relates primarily to the Scheme's long-term debt obligations with floating interest rates.

The Scheme'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 Scheme's investments were therefore exposed to changes in the market interest rates. The objective of the Scheme 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 |
|---|---|---|
| **2019** | | |
| Call accounts | 1% | **1 528 193** |
| Short term investments | 1% | **2 402 575** |
| Current accounts | 1% | **551 302** |
| **2018** | | |
| Call accounts | 1% | 804 930 |
| Short term investments | 1% | 2 089 679 |
| Current accounts | 1% | 1 535 726 |

The table above summarises the Scheme'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 2020 it is expected that the interest rate will have a downward trend of 1% (2019: 1% upward) to stimulate economic growth and that the income generation on financial instruments will decrease. A 1% movement suggests the closing market value could have been R344 030 185 if the investment performance had been lower by 1% during 2019 as compared to the market investment performance.

A one percent decrease in the investment return at the reporting date would have decreased the income by R288 229 (2018: R241 491); an equal change in the opposite direction would have increased income by R288 229 (2018: R241 491).

22. **FINANCIAL RISK MANAGEMENT** (Continued)

**Interest rate risk** (Continued)

**Investments**

***Allocation***

| Asset managers | Mandate | Investment vehicle | R | % |
|---|---|---|---|---|
| **2019** | | | | |
| Platinum Health Medical Scheme | Liquidity/cash * | | **207 963 751** | **37.44** |
| Allan Gray | Medical Scheme Portfolio | Pooled | **347 470 488** | **62.56** |
| **2018** | | | | |
| Platinum Health Medical Scheme | Liquidity/cash * | | 234 154 060 | 41.86 |
| Allan Gray | Medical Scheme Portfolio | Pooled | 325 213 563 | 58.14 |

* Includes the current account and call account.

**Price risk**

The Scheme'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 Scheme is therefore exposed to changes in the market price. The Scheme'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. For 2020 it is expected that the markets will be volatile as a result of the COVID 19 pandemic and that a 25% decrease in market value could be experienced compared to a small growth as experienced during 2019. The decrease expected is 25% and it suggests the closing market value could have been 96 474 170 if the investment performance had been lower by 25% during 2019 as compared to the market investment performance.

All the equity instruments are listed on the JSE. The current COVID 19 pandemic will likely influence the declaration and payment of dividends due to envisaged cash flow demands. A fifty percent (2018 2%) change in the investment return at the reporting date would have increased surplus or deficit by R2 828 425 (2018: R95 316); an equal change in the opposite direction would have decreased income by R2 828 425 (2018: R95 316).

22. **FINANCIAL RISK MANAGEMENT** (Continued)

***Sensitivity analysis - Equity*** (Continued)

**Investment risk and investment return**

The Scheme'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 | Loans and receivables R | Financial liabilities at amortised cost R | Total carrying amount R | Fair value amount R |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Investments | **347 470 488** | – | – | **347 470 488** | **347 470 488** |
| Cash and cash equivalents | – | **207 963 751** | – | **207 963 751** | **207 963 751** |
| Trade and other receivables | – | **50 559 701** | – | **50 559 701** | **50 559 701** |
| Outstanding claims provision | – | – | **(49 400 000)** | **(49 400 000)** | **(49 400 000)** |
| Trade and other payables | – | – | **(68 140 861)** | **(68 140 861)** | **(68 140 861)** |
| | **347 470 488** | **258 523 452** | **(117 540 861)** | **488 453 079** | **488 453 079** |
| **2018** | | | | | |
| Investments | 325 213 563 | – | – | 325 213 563 | 325 213 563 |
| Cash and cash equivalents | – | 234 154 060 | – | 234 154 060 | 234 154 060 |
| Trade and other receivables | – | 52 298 663 | – | 52 298 663 | 52 298 663 |
| Outstanding claims provision | – | – | (40 000 000) | (40 000 000) | (40 000 000) |
| Trade and other payables | – | – | (124 787 668) | (124 787 668) | (124 787 668) |
| | 325 213 563 | 286 452 723 | (164 787 668) | 446 878 618 | 446 878 618 |

## 23. 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 Scheme considers its investment (Investments: R347m) and cash assets (Trade and other receivables: R51m Cash and cash equivalents: R208m) 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 Scheme'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 Scheme 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.

| | **2019** | 2018 |
|---|---|---|
| Solvency margin | **35%** | 29% |

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

## 24. POST RETIREMENT BENEFITS

The Scheme contributes on behalf of its qualifying employees to the Old Mutual Superfund. The Scheme contributes on a monthly basis for certain qualifying employees to the employee's pension/provident fund for post-retirement medical scheme costs. This Scheme is governed by the Pension Funds Act, 1956 as amended, and is a defined contribution pension fund. These contributions, paid by the Scheme to fund obligations for the payment of retirement benefits, are charged against surplus or deficit in the year of payment.

| | **2019**<br>**R** | 2018<br>R |
|---|---|---|
| Total expense for the year | **52 851** | 72 144 |
| Expense relating to key management personnel | **11 184** | 10 452 |

## 25. RELATED PARTY TRANSACTIONS

### (a) Parties with significant impact over the Scheme

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

| 25. **RELATED PARTY TRANSACTIONS** (Continued) | **2019 R** | 2018 R |
|---|---|---|
| (a) **Parties with significant impact over the Scheme** (Continued) | | |
| ***Statement of comprehensive income*** | | |
| Platmed Proprietary Limited | – | 7 494 828 |
| – Management fee paid to Platinum Health Medical Scheme | – | 402 424 |
| – Information management cost recovery by / (from) Platinum Health Medical Scheme | – | 7 092 404 |
| Platmed Properties Proprietary Limited | – | 365 064 |
| – Management fee paid to Platinum Health Medical Scheme | – | 365 064 |
| RA Gilbert Proprietary Limited (Note 29) | **(136 990 936)** | (161 452 619) |
| – Management fee paid to Platinum Health Medical Scheme | **3 766 006** | 3 562 920 |
| – Medicine costs paid by Platinum Health Medical Scheme | **(140 756 942)** | (165 015 539) |
| Rustenburg Platinum Mines Limited | **(9 605 747)** | (16 308 467) |
| – Venue and catering services rendered to Platinum Health Medical Scheme | **(67 240)** | – |
| – Management fee paid by Platinum Health Medical Scheme | **(9 538 507)** | (16 308 467) |
| Anglo American Platinum Limited | | |
| – Contribution subsidy paid on behalf of employees | **271 463 982** | 255 256 642 |
| ***Statement of financial position*** | | |
| Platmed Proprietary Limited | **(1 848 551)** | 4 583 545 |
| – Overhead costs paid (on behalf of) / by Platinum Health Medical Scheme | **(1 848 551)** | 4 583 545 |
| R A Gilbert Proprietary Limited | | |
| – Medicines purchased by Platinum Health Medical Scheme | **(6 989 958)** | (12 130 623) |
| Platmed Properties Proprietary Limited | | |
| – Management fee paid to Platinum Health Medical Scheme | – | (54 374) |

The agreement between the Scheme and R A Gilbert Proprietary Limited is that the Scheme will administer its business on its behalf at an agreed fee.

## 25. RELATED PARTY TRANSACTIONS (Continued)

### (a) Parties with significant impact over the Scheme (Continued)

The agreement between R A Gilbert Proprietary Limited and the Scheme is that R A Gilbert Proprietary Limited will supply medicines to the Scheme members on an agreed tariff and mark-up.

### (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 Scheme other than stated below. The Principal Officer's salary is disclosed in Note 15.

| | | 2019<br>R | 2018<br>R |
|---|---|---|---|
| ***Statement of comprehensive income*** | | | |
| Key management remuneration | | **21 918 510** | 19 441 084 |
| Short term employee benefits | | **17 729 957** | 15 990 071 |
| Post-employment benefits | | **11 184** | 10 452 |
| Other long-term benefits | | **4 177 369** | 3 440 561 |
| Contributions received from Key management and Trustees | | **1 019 442** | 795 361 |
| Claims incurred by Key Management and Trustees | | (1 420 819) | (797 866) |
| Trustee's expenses | | | |
| Mr AJ Collier | – Consulting fees | – | 70 750 |
| | – Disbursements | – | 24 526 |
| Mr J Mosito | – Disbursements | – | 9 061 |
| Dr C Mbekeni | – Disbursements | **25 628** | – |
| Mr P Krause | – Disbursements | **27 130** | – |
| Mr J Jacobs | – Disbursements | **2 498** | – |
| Ms L Roets | – Disbursements | **4 967** | 1 960 |
| Mr N Machumele | – Disbursements | **25 961** | 26 446 |
| Mr S Pheto | – Disbursements | **28 219** | 24 986 |
| Mr A Mokoka | – Disbursements | – | 24 046 |
| Mr K Kokohlabang | – Disbursements | **28 019** | 25 086 |
| Mr D Noko | – Disbursements | **29 030** | 25 886 |
| Mr S Moatshe | – Disbursements | – | 900 |
| Mr P Maimela | – Disbursements | **28 341** | – |
| Mr P Malamula | – Disbursements | **28 341** | – |
| Mr B Molefe | – Disbursements | **28 548** | – |
| Mr AM Makou | – Disbursements | **29 119** | 26 346 |
| Ms S Maqina | – Disbursements | – | 800 |
| Mr T Siko | – Disbursements | – | 520 |
| Mr E Mungai | – Disbursements | **2 498** | – |
| Mr D McDonald | – Disbursements | **2 070** | 25 646 |
| Ms T Segoe (nee Tau) | – Disbursements | **27 212** | 26 646 |
| Mr C Smith | – Disbursements | **18 076** | 26 393 |
| | | **335 657** | 340 358 |

25. **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 Scheme. Trustees who opted to receive a cell phone allowance of R160 (2018: R160) per month and a meeting attendance allowance of R100 (2018: 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 Scheme'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.

## 26. 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 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 | | | |
|---|---|---|---|---|---|---|---|
| 2019 | | PMB R (000) | Non PMB R (000) | PMB R (000) | Non PMB R (000) | Day to day R (000) | Total R (000) |
| < 25 | Gross | **41 220** | **19 679** | **4 337** | **13 322** | **61 913** | **140 471** |
| | Net | **41 009** | **19 533** | **3 994** | **12 672** | **52 836** | **130 044** |
| 25 – 39 | Gross | **59 315** | **28 832** | **18 695** | **19 541** | **131 057** | **257 440** |
| | Net | **59 079** | **28 637** | **18 059** | **18 711** | **120 345** | **244 831** |
| 40 – 55 | Gross | **63 640** | **39 939** | **47 292** | **18 586** | **123 298** | **292 755** |
| | Net | **63 328** | **39 611** | **45 020** | **17 434** | **110 022** | **275 415** |
| 56 – 69 | Gross | **35 426** | **26 167** | **27 069** | **11 104** | **70 392** | **170 158** |
| | Net | **34 882** | **25 777** | **25 376** | **10 196** | **62 165** | **158 396** |
| > 69 | Gross | **18 489** | **8 575** | **5 959** | **3 706** | **23 833** | **60 562** |
| | Net | **18 398** | **8 381** | **5 529** | **3 358** | **20 389** | **56 055** |
| | Gross | **218 090** | **123 192** | **103 352** | **66 259** | **410 493** | **921 386** |
| | Net | **216 696** | **121 939** | **97 978** | **62 371** | **365 757** | **864 741** |

| | |
|---|---|
| Movements in outstanding claims provision (Note 8) | **49 400** |
| Claims related to risk transfer arrangements (Note 11) | **7 809** |
| Total | **921 950** |

## 26. MEDICAL INSURANCE RISK MANAGEMENT (Continued)

| Age grouping (in years) | | In-hospital | | Chronic | | | |
|---|---|---|---|---|---|---|---|
| **2018** | | PMB R (000) | Non PMB R (000) | PMB R (000) | Non PMB R (000) | Day to day R (000) | Total R (000) |
| < 25 | Gross | 57 705 | 11 524 | 16 016 | 4 324 | 63 842 | 153 411 |
| | Net | 57 705 | 11 428 | 15 197 | 4 017 | 56 073 | 143 965 |
| 25 – 39 | Gross | 82 165 | 18 745 | 22 785 | 19 820 | 138 739 | 282 254 |
| | Net | 81 587 | 18 693 | 21 573 | 19 413 | 128 533 | 269 799 |
| 40 – 55 | Gross | 78 424 | 28 869 | 34 909 | 40 911 | 131 864 | 314 977 |
| | Net | 77 828 | 28 620 | 32 703 | 39 712 | 121 092 | 299 955 |
| 56 – 69 | Gross | 57 308 | 23 667 | 25 404 | 19 986 | 85 279 | 211 644 |
| | Net | 56 937 | 23 552 | 23 755 | 18 730 | 76 620 | 199 594 |
| > 69 | Gross | 20 402 | 10 954 | 8 002 | 6 240 | 27 842 | 73 440 |
| | Net | 20 360 | 10 939 | 7 294 | 5 642 | 25 021 | 69 256 |
| | Gross | 296 004 | 93 759 | 107 116 | 91 281 | 447 566 | 1 035 726 |
| | Net | 293 962 | 93 232 | 100 522 | 87 514 | 407 339 | 982 569 |

| | |
|---|---|
| Movements in outstanding claims provision (Note 8) | 40 000 |
| Claims related to risk transfer arrangements (Note 11) | 9 868 |
| Total | 1 032 437 |

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.

## 26. 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 2019 and 2018 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 35% (2018: 29%) represents sufficient income for the Scheme to continue as a going concern.

## 26. 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 % |
| **2019** | | | |
| *Inflation assumptions* | | | |
| (a) Hospitalisation costs | | | |
| – Budget scenario – 7.4% * | **395 937 446** | **8.4%** | **9.4%** |
| – Effect on claims – R | | **3 959 374** | **7 918 748** |
| – Effect on solvency – % | | **(0.30)/0.30** | **(0.60)/0.60** |
| (b) Medicine costs | | | |
| – Budget scenario – 5.4% * | **211 781 706** | **6.4%** | **7.4%** |
| – Effect on claims – R | | **2 117 817** | **4 235 634** |
| – Effect on solvency – % | | **(0.16)/0.16** | **(0.32)/0.32** |
| (c) Specialist costs | | | |
| – Budget scenario – 6.9% * | **126 979 489** | **7.9%** | **8.9%** |
| – Effect on claims – R | | **1 267 799** | **2 535 598** |
| – Effect on solvency – % | | **(0.10)/0.10** | **(0.20)/0.20** |
| (d) Continuation members' ratio | | | |
| – Budget scenario – 4.1% * | **4.09%** | **5.09%** | **6.09%** |
| – Effect on claims – R | | **960 851** | **1 921 702** |
| – Effect on solvency – % | | **(0.07)/0.07** | **(0.14)/0.14** |
| 2018 | | | |
| *Inflation assumptions* | | | |
| (a) Hospitalisation costs | | | |
| – Budget scenario – 7.9% * | 338 247 635 | 8.9% | 9.9% |
| – Effect on claims – R | | 3 382 476 | 6 764 953 |
| – Effect on solvency – % | | (0.24)/0.24 | (0.48)/0.48 |
| (b) Medicine costs | | | |
| – Budget scenario – 7.2% * | 194 830 901 | 8.2% | 9.2% |
| – Effect on claims – R | | 1 948 309 | 3 896 618 |
| – Effect on solvency – % | | (0.14)/0.14 | (0.28)/0.28 |
| (c) Specialist costs | | | |
| – Budget scenario – 7.9% * | 105 800 234 | 8.9% | 9.9% |
| – Effect on claims – R | | 1 058 002 | 2 116 005 |
| – Effect on solvency – % | | (0.07)/0.07 | (0.15)/0.15 |
| (d) Continuation members' ratio | | | |
| – Budget scenario – 4.3% * | 4.05% | 5.05% | 6.05% |
| – Effect on claims – R | | 899 166 | 1 798 331 |
| – Effect on solvency – % | | (0.06)/0.06 | (0.12)/0.12 |

## 26. 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:

- coronavirus disease 2019 (COVID-19);
- outstanding contracts;
- changes in demographics in the mining industry; and
- trade union dynamics.

## 27. 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 R30 536 806 (2018: R R48 610 779) were provided to the lawyers who were appointed by the members for inclusion in the claim to be lodged against the RAF.

## 28. SUBSEQUENT EVENTS

The only significant event after the reporting date is that of the Coronavirus pandemic as discussed below.

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 2019, the Trustees took into consideration the economic conditions and forecasts as at that date. The Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

The following events developed since 31 December 2019:

- On 23 March 2020, the President of South Africa announced a mandatory national lockdown for a period of 21 days, which commenced on 26 March 2020, as a measurement to curb the spreading of COVID-19.
- On 27 March 2020, the rating agency Moody's announced its decision of downgrading South Africa's long term foreign and local currency debt ratings from Ba1 to Baa3 and maintains a negative outlook of the country.
- On 9 April 2020, the President of South Africa announced the extension of the mandatory lockdown for a further period of 14 days which lockdown will end 30 April 2020.

Since the beginning of 2020 due to the volatility of the global and local markets, the Fund has been experiencing unrealised losses on investments.

The sovereign downgrade will further add to the prevailing financial market stress. The performance of the Fund's investment portfolio as illustrated below will continuously be monitored by the Fund's asset managers.

It is unclear how the restrictions imposed by Government during the national lockdown period will impact member contribution collections.

## 28. SUBSEQUENT EVENTS (Continued)

The effects of COVID-19 and the downgrade are non-adjusting subsequent events for the year ended 31 December 2019 in terms of IAS 10 Events after the Reporting Period, because the significant development and the spreading of COVID-19 did not take place until January 2020, and the announcement of the downgrade only occurred on 27 March 2020. Therefore, these events only occurred after 31 December 2019. Below is the assessment of each of the Fund's significant balance sheet items:

Platinum Health has been impacted by the Coronavirus or as popularly known the COVID -19 pandemic. As the world and the global markets have responded to what has been deemed a pandemic, the All Share Index on the Johannesburg Stock Exchange (JSE) in South Africa has fallen some 40% over the last three months. It is important to note that the drop in the value of shares on the JSE is in line with stock markets across the world.

The scheme's investments are measured at fair value, and as such the value of the investments currently disclosed are indicative of the fair value amounts as at 31 December 2019. Any conditions that existed broadly in the market would have been incorporated into a fair value measurement as at 31 December 2019. Therefore, the impact of COVID-19 since 2020, will not affect the investment balances as at 31 December 2019.

Platinum Health has seen its own investment portfolio fall by 14% year to date. At 31st December 2019 the solvency was 35%. The fact that Platinum Health has made a surplus of R16m to end February, excluding unrealized loss in investment, means that the scheme is well on track to maintain solvency. As per the Medical Scheme's Act a solvency of 25% has to be maintained. At 35% solvency the scheme has a buffer of 10% (+-R130m) before the solvency limit is breached and this is unlikely to happen.

Platinum Health continues to monitor its Allan Gray portfolio and is of the belief that the companies invested in through Allan Gray have value.

The potential impact that the pandemic will have on the Fund's participating employers was also considered, but it was deemed to be too early to make an assessment.

Provision for doubtful debts as at 31 December 2019 have been based on incurred events at balance sheet date. Given that the disruptions only occurred in March 2020, the amount recognised as at 31 December 2019 remains unchanged.

Provision for outstanding claims, as disclosed in note 8, is an estimate of the ultimate costs of settling all claims incurred that have occurred before the end of the reporting period but have not been reported to the Fund. Given the fact that the risk claims provision as at 31 December 2019 relates to 2019 and prior, the claims provision remains unchanged.

Operationally Platinum Health has put together a response plan throughout its facilities in the wake of COVID-19 and sites are ready to take on the pandemic should this be a reality for the communities that the Scheme services. Platinum Health have put the following measures in place to reduce risk:

- Temperature scanners are used to assess patients entering Platinum Health facilities;
- All staff have been trained to assess patients and follow protocol;
- All patients with chronic medical conditions are being given 6 months chronic medicine to ensure that these patients, most vulnerable to develop severe symptoms from COVID-19, are not exposed unnecessarily having to collect chronic medicine. Members with chronic medical conditions are encouraged to take medication as prescribed;
- All patients who are HIV positive are encouraged to go onto ART immediately. Patients who are on ART, but not yet viral load suppressed are encouraged to take medication as prescribed to ensure they become suppressed;
- PPE has been purchased to last up to 4 months. 100000 N95 masks, 25000 gowns and 25000 visors have been purchased for Platinum Health staff; and
- Extensive education has taken place with newsflashes having been distributed and information pertaining to COVID-19 being displayed on televisions at all Platinum Health facilities.

## 28. SUBSEQUENT EVENTS (Continued)

Vaccinations are an important preventative measure to try and ensure that the immune system has a greater chance of fighting the virus and Platinum Health, through its related parties are procuring vaccines to vaccinate members of the Scheme as a preventative measure.

Medically, 80% of patients who contract COVID-19 will be able to be treated as a normal flu and the costs of treatment would be in line with the flu season costs. 15% of the patients will end up in hospital and through our designated service providers and agreed rates Platinum Health will treat those cases as they come along. The remaining 5% of patients may end up in ICU and need ventilation and these cases may result in high costs which are inherent in our line of business.

Platinum Health has assessed the risks of an outbreak, has put together a response plan, has analysed its ability to continue as a going concern and at this stage is confident that in the midst of this global pandemic the Scheme will be viable and continue as a going concern.

The scheme continues to monitor the disruptions on member contributions due to the national lockdown, it continues to be operational and remains focused to serving its members. The scheme will work closely with the CMS for obtaining and developing guidelines.

In addition, the financial reporting impact of COVID-19 will be considered in the 2020 financial statements.

## 29. PROPOSED ACQUISITION OF RA GILBERT PROPRIETARY LIMITED

The Scheme had entered into an agreement on 12th December 2017 with Platmed Proprietary Limited to purchase its subsidiary company, RA Gilbert Proprietary Limited, a company rendering pharmacy services mainly to the Scheme, Platmed Proprietary Limited and Impala Medical Scheme. The approval of the Council for Medical Schemes was one of the conditions precedent in the contract. The required exposition paper was submitted to the Council for Medical Schemes and approved by it to lie open for inspection and submission of comments for a period of 21 working days from 18 February 2020 to 17 March 2020, and objections for a period of 21 working days from 18 March 2020 to 17 April 2020 by interested parties in the transaction. The approval of the sale was granted by the Council for Medical Schemes on 21 April 2020. The Competitions Commission had already approved the sale of the business in 2018 which approval was also a condition precedent in the contract. The purchase of the business will now go ahead.

## 30. 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).

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

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

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

| | 2019<br>R | 2018<br>R |
|---|---|---|
| • Northam Platinum Limited | **4 670 749** | 2 565 592 |
| • Royal Bafokeng Platinum Limited | **1 937 504** | 1 510 409 |
| • African Rainbow Minerals Limited | – | 289 151 |

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

| | | |
|---|---|---|
| • MMI Holdings Ltd | **1 695 660** | 3 333 822 |

***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 2019.

### (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 2019, there were contribution debtors outstanding for more than 30 days to the amount of R1 915 070 (2018: R4 140 579). This amount represents less than 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 Administrator on the other, this is not always possible.

PLATINUM HEALTH MEDICAL SCHEME

DETAILED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION
FOR THE YEAR ENDED 31 DECEMBER 2019

| 2019<br>AUDITED | Note | Plat Comprehensive<br>R | Plat Cap<br>R | Plat Freedom<br>R | Total<br>R |
|---|---|---|---|---|---|
| **Gross contribution income** | | **1 227 131 883** | **49 170 494** | **33 266 061** | **1 309 568 438** |
| **Total net claims incurred** | | **(1 146 198 354)** | **(37 984 575)** | **(26 057 795)** | **(1 210 240 724)** |
| Gross claims reported and/or paid for risk carried by the Scheme | | **1 091 595 975** | **36 749 334** | **24 686 877** | **1 153 032 186** |
| – Direct claims for the period | Actual | **779 207 626** | **21 823 691** | **19 105 520** | **820 136 837** |
| – Direct benefits for the previous period (Note 8) | 1 | **38 110 933** | **592 905** | **–** | **38 703 838** |
| – Direct benefits reported not paid | 1 | **2 006 054** | **98 343** | **112 409** | **2 216 806** |
| – Net expenses from other risk transfer arrangements | | **1 733 895** | **84 973** | **–** | **1 818 868** |
| – Managed care: management services | | **391 241** | **10 001** | **9 079** | **410 321** |
| – Services rendered in own facilities | Actual | **270 146 226** | **14 139 421** | **5 459 869** | **289 745 516** |
| Movement in outstanding claims provision | | **47 162 136** | **866 946** | **1 370 918** | **49 400 000** |
| – Over provision in prior year | 1 | **237 507** | **75 820** | **–** | **313 327** |
| – Adjustment for current year | 1 | **46 924 629** | **791 126** | **1 370 918** | **49 086 673** |
| **Total claims paid for risk carried by Scheme** | | **1 138 758 111** | **37 616 280** | **26 057 795** | **1 202 432 186** |
| Gross claims reported and/or paid for in respect of related risk transfer arrangements | | | | | |
| – Direct claims for the period | 1 | **7 440 243** | **368 295** | **–** | **7 808 538** |
| **Total claims paid for by related risk transfer arrangements** | | **7 440 243** | **368 295** | **–** | **7 808 538** |

PLATINUM HEALTH MEDICAL SCHEME

DETAILED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION
FOR THE YEAR ENDED 31 DECEMBER 2019 (Continued)

| 2019<br>AUDITED (Continued) | Note | Plat Comprehensive<br>R | Plat Cap<br>R | Plat Freedom<br>R | Total<br>R |
|---|---|---|---|---|---|
| Managed care – management services | | (12 425 481) | (496 049) | (296 518) | (13 218 048) |
| Management fees | | (1 991 798) | (98 346) | (55 520) | (2 145 664) |
| Administration expenses | 1 | (73 261 537) | (3 617 327) | (2 042 124) | (78 920 988) |
| Own facility surplus | | 5 305 407 | 261 958 | 147 885 | 5 715 250 |
| Net impairment losses | 1 | (1 383167) | (68 294) | (38 556) | (1 490 017) |
| Investment income | 2 | 31 754 166 | 2 495 647 | 285 781 | 34 535 594 |
| Fair value adjustment | 2 | 372 743 | 29 295 | 3 354 | 405 392 |
| Impairment loss recovery | | 73 221 | 3 616 | – | 76 837 |
| Finance costs | Actual | (4 323 231) | (213 020) | (56 764) | (4 593 015) |
| Proceeds on sale of assets | | 92 295 | 4 556 | 2 573 | 99 424 |
| Sundry expenses | | (2 120) | (104) | (59) | (2 283) |
| Other income | | 54 631 | 2 697 | 1 523 | 58 851 |
| **Net surplus for the year** | | 25 198 658 | 9 490 548 | 5 159 841 | 39 849 047 |
| Strength | | 80 289 | 3 936 | 4 499 | 88 724 |

(2019: 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 STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION FOR THE YEAR ENDED 31 DECEMBER 2019 (Continued)**

| 2018 AUDITED | Note | Plat Comprehensive R | Plat Cap R | Total R |
|---|---|---|---|---|
| Gross contribution income | | 1 374 698 591 | 46 019 224 | 1 420 717 815 |
| Total net claims incurred | | (1 265 183 823) | (38 499 291) | (1 303 683 114) |
| Gross claims reported and/or paid for risk carried by the Scheme | | 1 217 363 838 | 37 434 140 | 1 254 797 978 |
| – Direct claims for the period | Actual | 890 053 000 | 23 176 997 | 913 229 997 |
| – Direct benefits for the previous period (Note 8) | 1 | 41 430 159 | 468 973 | 41 899 132 |
| – Direct benefits reported not paid | 1 | 24 955 904 | 997 172 | 25 953 076 |
| – Net expenses from other risk transfer arrangements | | 1 546 252 | 65 175 | 1 611 427 |
| – Managed care: management services | | 377 361 | 3 330 684 | 3 708 045 |
| – Services rendered in own facilities | Actual | 259 001 162 | 9 395 139 | 268 396 301 |
| Movement in outstanding claims provision | | 38 348 441 | 668 724 | 39 017 165 |
| – Over provision in prior year | 1 | 3 118 367 | 115 537 | 3 233 904 |
| – Adjustment for current year | 1 | 35 230 074 | 553 187 | 35 783 261 |
| Total claims paid for risk carried by Scheme | | 1 255 712 279 | 38 102 864 | 1 293 815 143 |
| Gross claims reported and/or paid for in respect of related risk transfer arrangements | | | | |
| – Direct claims for the period | 1 | 8 526 902 | 358 234 | 8 885 136 |
| Movement in outstanding claims provision | 1 | 944 642 | 38 193 | 982 835 |
| – Overprovision in prior year | 1 | – | – | – |
| – Adjustment for current year | 1 | 944 642 | 38 193 | 982 835 |
| Total claims paid for by related risk transfer arrangements | | 9 471 544 | 396 427 | 9 867 971 |

**PLATINUM HEALTH MEDICAL SCHEME**

**DETAILED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION FOR THE YEAR ENDED 31 DECEMBER 2019 (Continued)**

| 2018<br>AUDITED (Continued) | Note | Plat Comprehensive<br>R | Plat Cap<br>R | Total<br>R |
|---|---|---|---|---|
| Managed care – management services | | (11 239 840) | (408 632) | (11 648 472) |
| Management fees | | (1 975 898) | (82 747) | (2 058 645) |
| Administration expenses | 1 | (73 054 761) | (3 059 382) | (76 114 143) |
| Own facility surplus | | 5 523 298 | 231 304 | 5 754 602 |
| Net impairment losses | 1 | (293 294) | (12 282) | (305 576) |
| Investment income | 2 | 30 290 822 | 1 072 659 | 31 363 481 |
| Fair value adjustment | 2 | (10 562 357) | (328 367) | (10 890 724) |
| Impairment loss recovery | | 29 475 | 1 234 | 30 709 |
| Finance costs | Actual | (2 189 527) | (91 693) | (2 281 220) |
| Loss on sale of assets | | (1 074 875) | (45 014) | (1 119 889) |
| Sundry expenses | | (7 823) | (328) | (8 151) |
| Other income | | 123 394 | 5 167 | 128 561 |
| Net surplus for the year | | 45 083 382 | 4 801 852 | 49 885 234 |
| Strength | | 101 036 | 4 085 | 105 121 |

(2018: 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.