

PLATINUM HEALTH MEDICAL SCHEME

REGISTRATION NUMBER: 29/4/2/1583

ANNUAL GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

PLATINUM HEALTH MEDICAL SCHEME

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**ANNUAL GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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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 2020.

1. MANAGEMENT

1.1 Board of Trustees in office during the year under review

<i>Name</i>	<i>Designation</i>
Employer Trustees	
Mr C Smith*	Northam Platinum Mine
Dr C Mbekeni	Anglo American Platinum
Mr P Krause	Anglo American Platinum
Mr E Mungai	Anglo American Platinum (resigned 30 June 2020)
Mr W McCarthy	Anglo American Platinum (appointed 12 November 2020)
Mr J Jacobs	Royal Bafokeng Platinum
Ms L Roets	Siyanda Bakgatla Platinum Mine
Mr D McDonald	Modikwa Platinum Mine

Member Trustees

Mr A Makou	Northam Platinum Mine (term ended 30 October 2020)
Mr J Hlangweni	Northam Platinum Mine (elected 30 October 2020)
Mr SS Pheto	Anglo American Platinum Amandelbult
Mr K Kokohlabang	Anglo American Platinum Other
Mr B Molefe	Anglo American Platinum Process Division
Mr P Malamula	Royal Bafokeng Platinum
Mr DM Noko	Siyanda Bakgatla Platinum Mine
Mr P Maimela	Modikwa Platinum Mine

* Chairperson of the Board of Trustees

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

1. **MANAGEMENT (Continued)**

1.2 **Trustee meeting attendance**

The following schedule sets out Board of Trustee meeting attendances

	<i>Trustee Meetings</i>		<i>Audit Committee Meetings</i>		<i>Other Committee Meetings</i>	
	A	B	A	B	A	B
Employer Trustees						
Mr C Smith	4	4	3	2	7	5
Dr C Mbekeni	4	4			4	4
Mr P Krause	4	3			3	3
Mr E Mungai	1	1			1	1
Mr J Jacobs	4	4			10	7
Ms L Roets	4	2	3	3	2	2
Mr D McDonald	4	2				
Member Trustees						
Mr A Makou	4	0			9	2
Mr SS Pheto	4	3			10	2
Mr K Kokohlabang	4	3			4	2
Mr B Molefe	4	3			2	2
Mr J Hlangweni	1	1			1	1
Mr P Malamula	4	4			2	1
Mr DM Noko	4	3			4	4
Mr P Maimela	4	1			8	3

A - Total possible number of meetings could have attended

B - Actual number of meetings attended

Other Committees consist of the following:

Dispute committee

Investment committee

Remuneration committee

Product committee

Communication committee

Medical Ex-gratia committee

Risk Committee

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

1. MANAGEMENT (Continued)

1.3 Principal Officer

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

Private Bag X82081
Rustenburg
0300

1.4 Registered Office

Platinum Health Medical Scheme
3 Kgwebo Street
Mabe Park
Rustenburg
0299

Private Bag X82081
Rustenburg
0300

1.5 Fund Administrator

Platinum Health Medical Scheme
3 Kgwebo Street
Mabe Park
Rustenburg
0299

Private Bag X82081
Rustenburg
0300

1.6 Independent Auditors

Ernst & Young Inc.
102 Rivonia Road
Sandton
Gauteng
2194

Private Bag X14
Sandton
2146

1.7 Investment Managers

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

1.8 Independent Investment Advisor

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

1.9 General Information

Domicile:	Registered Office 175 Beyers Naude Drive Rustenburg 0300
Legal form:	Medical Aid Scheme
Country of incorporation:	South Africa
Nature of the entity:	Non-profit organisation
Principal activities:	Provides medical aid cover to members of the Scheme

1.10 Investment in subsidiary

RA Gilbert Proprietary Limited:	100% (Acquired 1 June 2020)
Directors:	Mr C Smith, Ms L. Roets, Mr P Malamula and Mr B Molefe.
Principal activities:	Provides pharmaceutical services mainly to members of the Scheme

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

2. DESCRIPTION OF THE MEDICAL SCHEME

2.1 Terms of registration

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

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

2.2 Healthcare options within the Platinum Health Medical Scheme

The Scheme offers three options:

- PlatComprehensive
- PlatCap
- PlatFreedom (introduced July 2019)

2.3 Risk transfer arrangements

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

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

2.4 Own facilities

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

The assets used by the previous supplier of these services (Platmed Proprietary Limited) are being rented with an option to purchase on expiry of the rental agreement at a nominal value agreed between both parties.

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

3. INVESTMENT POLICY OF THE FUND

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

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

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

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

4. INSURANCE RISK MANAGEMENT

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

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

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

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

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

5. REVIEW OF THE YEAR'S ACTIVITIES

5.1 Operational Statistics

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

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

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

5.1 Operational Statistics (Continued)

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

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

5.2 Results of operations

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

5.3 Solvency margin

The solvency margin is calculated on the following basis:

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

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

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

5.4 Members Funds

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

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

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

5.5 Outstanding Claims

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

6. ACTUARIAL VALUATION

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

7. SUBSEQUENT EVENTS

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

8. ACQUISITION OF RA GILBERT PROPRIETARY LIMITED

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

9. IMPLICATIONS OF COVID-19

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

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

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

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

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

9. IMPLICATIONS OF COVID-19 (Continued)

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

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

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

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

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

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

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

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

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

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

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

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

9. IMPLICATIONS OF COVID-19 (Continued)

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

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

10. TRUSTEES' REMUNERATION AND EXPENSES

Trustees are not remunerated for their services, other than disbursements for attending conferences and training. An attendance and cell phone allowance are paid to those trustees who opted for this allowance. The disbursements and allowances for the year are R22 880 (2019: R335 657).

11. FIDELITY COVER

The Scheme has fidelity cover in place and the premiums are fully paid up. The Health Professionals employed by the Scheme, Trustees elected, and Independent Committee Members are covered for any claims with regard to services rendered by them. The premium is fully paid and in place until 30 June 2021.

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

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

(1) Investments in employer and administrator companies

Nature and cause of non-compliance

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

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

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

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

• MMI Holdings Ltd	263 107	1 695 660
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PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

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

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

Possible impact of non-compliance

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

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

Compliance with the Medical Scheme Act should always be considered when investments are made by the Scheme or by the portfolio managers. If not in compliance, the Registrar should be informed immediately. The Scheme has no direct or indirect influence over the Allan Gray investment strategies as the pooled funds are invested to optimise return on investment for the entire portfolio. A letter confirming the exemption from investing in employer groups and medical scheme administrators through asset managers where such investment choices are not influenced by the Scheme was received from the Council for Medical Schemes for a period of 3 years, commencing 1 December 2019.

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

Nature and cause of non-compliance

In terms of the Medical Schemes Act and specifically Section 26 (7) contributions should be received in accordance with the rules of the Scheme. The rules indicate that contributions payable should be received no later than the third day of each month. As at 31 December 2020, there were contribution debtors outstanding for more than 30 days to the amount of R1 493 472 (2019: R1 915 070). This amount represents about 1% of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Medical Schemes Act.

Possible impact of non-compliance

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

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

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

13. RELATED PARTY TRANSACTIONS

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

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

The Medical Scheme holds no direct investments in or loans to participating employers of Medical Scheme members, other than the pooled investment through Allan Gray (refer to 12.1 above).

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

15. AUDIT COMMITTEE

An Audit Committee was established in accordance with the provisions of the Medical Schemes Act 131 of 1998. The Board of Trustees mandates the Committee by means of written terms of reference as to its membership, authority, and duties. The Committee consists of five members of which three are independent members.

The majority of the members, including the chairperson, are independent of the Group. The Committee met on 27 March 2020, 21 August 2020, and 3 November 2020.

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

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

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

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

The Audit Committee comprises of the following:

		Meetings Attended
Mr J B Martin	(Independent Chairperson) (resigned August 2020)	2 of 2
Mr P Fernandes	(Independent)	3 of 3
Mr I Catt	(Independent Chairperson) (elected November 2020)	3 of 3
Mr D Cathrall	(Independent) (appointed 19 November 2020)	0 of 0
Mr C Smith	(Trustee)	2 of 3
Mrs L Roets	(Trustee)	3 of 3

16. INVESTMENT COMMITTEE

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

The Committee met on 21 August 2020 and 3 November 2020.

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

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

PLATINUM HEALTH MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (Continued)

16. INVESTMENT COMMITTEE (Continued)

The mandate of the committee is to ensure that:

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

The Investment Committee comprises of the following:

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

17. REMUNERATION COMMITTEE

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

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

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

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

The Remuneration Committee comprises of the following:

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

18. GOING CONCERN

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

The Board of Trustees are of the opinion that the annual consolidated financial statements fairly present the financial position of the Group as at 31 December 2020, and the results of its operations and cash flow information for the year then ended.



**Chairperson
Mr C Smith**

30 April 2021
Johannesburg

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation, integrity and fair presentation of the annual consolidated financial statements of the Group. The annual consolidated financial statements presented on pages 19 to 83 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Schemes Act 131 of 1998, as amended, of South Africa, and include amounts based on judgement and estimates made by management.

The Trustees consider that in preparing the annual consolidated financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

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

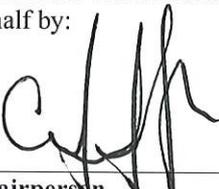
The Trustees are responsible for ensuring that accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Group which enables the Trustees to ensure that the annual consolidated financial statements comply with the relevant legislation.

The Platinum Health Medical Scheme Group operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that the assets are safeguarded and the risks facing the business are being controlled.

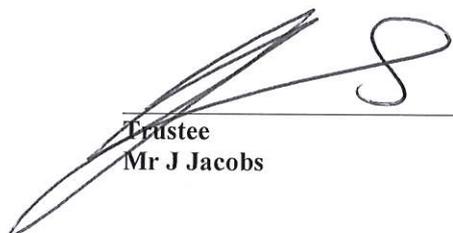
The going concern basis has been adopted in preparing the annual consolidated financial statements. The Trustees have no reason to believe that the Group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual consolidated financial statements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

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

The annual consolidated financial statements were approved by the Board of Trustees on 30 April 2021 and are signed on its behalf by:



Chairperson
Mr C Smith



Trustee
Mr J Jacobs



Principal Officer
Mr P W Mboniso

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

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

BOARD OF TRUSTEES

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

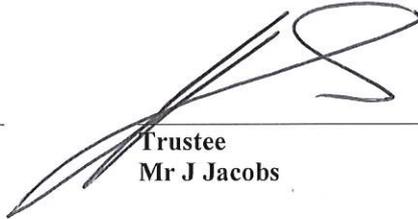
INTERNAL CONTROLS

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

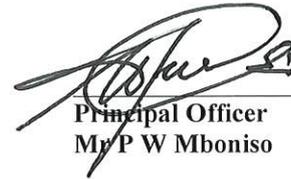
No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in functioning of the key internal controls and systems during the year under review.



Chairperson
Mr C Smith



Trustee
Mr J Jacobs



Principal Officer
Mr P W Mboniso

30 April 2021

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Platinum Health Medical Scheme ('the Scheme') and its subsidiaries ('the Group') set out on pages 20 to 84, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies Act of South Africa and the Medical Schemes 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 Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 Scheme's trustees are responsible for the other information. The other information comprises the information included in the 83-page document titled "Platinum Health Medical Scheme, Registration Number 29/4/2/1583 Group Annual Financial Statements for the year ended 31 December 2020", which includes the Report of the Board of Trustees, the Statement of responsibility by the Board of Trustees and the Statement of corporate governance by the Board of Trustees. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Scheme's Trustees for the Consolidated Financial Statements

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

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

Auditor's responsibilities for the Audit of the consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.
- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 report the following material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa ('the Act'), as amended, that have come to our attention during the course of our audit:

1. Contravention of Section 35(8)(a) and Section 35(8)(c):

The Scheme holds indirect investments in participating employer companies via investments placed with Allan Gray. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer. The Scheme holds an indirect investment in Momentum Metropolitan Holdings Limited, an investment placed with Allan Gray. This is in contravention of Section 35(8)(c) of the Act, as the Scheme is not allowed to hold shares in the holding company of an administrator.

The Scheme received confirmation of an exemption on 1 December 2019. This exemption will be valid for 3 years, subject to renewal.

2. Contravention of section 26(7):

In terms of section 26(7) of the Act, contributions should be received at the latest 3 days after it is due.

An amount of R1 493 472 (2019: R1 915 070) was still outstanding by more than 3 days after it was due, as at 31 December 2020.

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 19 years. This is the second year the engagement partner, Deon van der Walt, has been responsible for the Platinum Health Medical Scheme audit.

DocuSigned by:

Ernst & Young Inc

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Ernst & Young Inc.

Deon van der Walt

Director

Registered Auditor

05 May 2021

Johannesburg

PLATINUM HEALTH MEDICAL SCHEME

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

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

PLATINUM HEALTH MEDICAL SCHEME

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

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

PLATINUM HEALTH MEDICAL SCHEME

**CONSOLIDATED STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Members' Funds R
Balance at 31 December 2018	416 411 040
Total comprehensive income for the year	<u>39 849 047</u>
Balance at 31 December 2019	456 260 087
Total comprehensive income for the year	<u>130 083 589</u>
Balance at 31 December 2020	<u>586 343 676</u>

PLATINUM HEALTH MEDICAL SCHEME

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Note</i>	2020 R	2019 R
Net cash inflow / (outflow) from operating activities		207 451 024	(11 227 966)
Cash generated by / (utilised in) operations	26	207 545 436	(11 227 966)
Cash received from members		1 490 485 698	1 331 053 427
Cash paid to suppliers and employees		(1 282 940 262)	(1 342 281 394)
Net taxation paid		(94 412)	–
Net cash inflow / (outflow) from investing activities		851 534	(4 507 741)
Purchase of property, plant and equipment	2	(2 147 906)	(4 607 165)
Proceeds on disposal of assets		10 620	99 424
Net cash balance on acquisition of subsidiary		2 988 820	–
Net investment deposit / withdrawal		–	–
Interest received on investments	20	16 923 886	18 306 453
Income received on real estate investment unit trusts	26	143 641	4 478
Dividends received on investments	20	8 166 387	5 656 859
Proceeds on disposal of investments to pay management fees	7	2 100 735	2 145 664
Asset management fee paid	7	(2 100 735)	(2 145 664)
Costs incurred in maintaining the investment	7	(34 109)	(26 438)
Net investment income capitalised	7	(25 199 805)	(23 941 352)
Net cash outflow from financing activities		(11 745 274)	(10 454 602)
Payment of lease liability	10.1	(3 310 461)	(1 857 574)
Interest paid on lease liability	10.1	(8 434 813)	(8 597 028)
Net increase / (decrease) in cash and cash equivalents		196 557 284	(26 190 309)
Cash and cash equivalents at beginning of year	8	207 963 751	234 154 060
Cash and cash equivalents at end of year	8	404 521 035	207 963 751

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The annual consolidated financial statements set out on pages 19 to 83 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 consolidated financial statements are prepared on the historical cost basis unless specifically stated otherwise in the accounting policies. The annual consolidated financial statements are presented in Rands, the functional currency of the Group, and all values are rounded to the nearest Rand. The annual consolidated financial statements are prepared on a going concern basis.

1.2 Changes in accounting policies

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

Standards or Interpretations issued but not yet effective

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

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.2 Changes in accounting policies (Continued)

Standard/Interpretation	Pronouncement	Effective date
IFRS 17 Insurance Contracts	<ul style="list-style-type: none"> • The effect of changes in discount rates will be reported in either surplus or deficit or other comprehensive income, determined by an accounting policy choice • The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period • Amounts that the policyholder will always receive, regardless of whether an insured event happens (non- distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet • Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense • Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts <p>Impact Platinum Health Medical Scheme Group is still in the process of assessing the impact of IFRS 17. The assessment entails how Contractual Service Margin (CSM) will be applied for IFRS 17 purposes and the Board will apply a full retrospective application for estimating CSM. However, at the time of implementation if it is impractical to apply a full retrospective application, Platinum Health Medical Scheme Group may have to adopt a modified retrospective approach of which the objective of this approach would be to achieve the closest outcome to the full retrospective application using reasonable and supportable assumptions. The key feature of the modified retrospective approach would be that there is no requirement to divide the groups of contracts into annual cohorts unless there is supportable information to justify the division. The fair value approach would be the second alternative if the full retrospective approach is impractical to apply, where the CSM is determined as the difference between the fair value of a group of insurance contracts (measured in accordance with IFRS 13) and its fulfilment cash flows at the transition date (which are determined in accordance with IFRS 17). There is no requirement to divide the groups of contracts into annual cohorts.</p>	1 January 2023

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.2 Changes in accounting policies (Continued)

Standard/Interpretation	Pronouncement	Effective date
	Key requirements	
Amendments to IFRS 3: Reference to the conceptual framework	<p>In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.</p> <p>The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.</p> <p>At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date</p> <p>Impact</p> <p>Platinum Health Medical Scheme Group will assess the impact of IFRS 3 amendments when effective. The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).</p>	1 January 2022

The Group 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)

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.

Impact of standards effective for annual periods beginning on or after 1 January 2020 and adopted by the Group

The Group adopted Amendments to IFRS 3 – Definition of a business combination. The requirements of this standard were applied in the acquisition of RA Gilbert Proprietary Limited during the year under review.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's annual financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future. Please refer to note 35 regarding the implication of COVID-19 on the Group.

Judgements

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

Estimates and assumptions

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

Expected impairment of insurance receivables

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

Expected credit losses of trade and other receivables

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

Outstanding claims

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

Deferred taxation asset

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.4 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

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

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

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.

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 income. Net contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. Gross contributions are shown before the deduction of broker service fees and other similar costs.

1.6 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.11 Financial instruments (Continued)

Impairment of financial assets (Continued)

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

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

Insurance receivables

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

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

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

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

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

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

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

Derecognition

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

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

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 above.

1.13 The Road Accident Fund

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

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

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

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

1.14 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.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.16 Retirement contributions

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

1.17 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 and expenses.

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

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

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

1.20 Management fees

Management fees comprise management services rendered by the Group to related parties (refer to note 30). Management fee income is recognised as income when rendered.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

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 10 of the annual consolidated financial statements).

1.22 Property, plant and equipment

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

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

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

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

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

1.23 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. ACCOUNTING POLICIES (Continued)

1.24 Leases

Leases right-of-use assets

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

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

As a lessee

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

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

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

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

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.24 Leases (Continued)

As a lessee (Continued)

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

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

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

Short-term leases and leases of low-value assets

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

1.25 Post-retirement Benefits:

The Group contributes on behalf of its qualifying employees to the Old Mutual Superfund. The Group 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 Group to fund obligations for the payment of retirement benefits, are charged against surplus or deficit in the year of payment.

1.26 Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 37

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

2. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost R	Accumulated depreciation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R
Computer hardware	3 008 129	(2 107 340)	900 789	2 347 875	(1 508 043)	839 832
Computer software	310 960	(285 047)	25 913	310 960	(129 567)	181 393
Plant and equipment	14 643 787	(5 335 608)	9 308 179	12 822 973	(3 766 673)	9 056 300
Office equipment	78 945	(45 507)	33 438	70 765	(25 219)	45 546
Furniture and fittings	38 900	(16 749)	22 151	38 900	(10 265)	28 635
Right-of-use assets	68 348 579	(14 539 230)	53 809 349	68 895 599	(7 318 101)	61 577 498
Motor vehicles	4 278 083	(3 645 874)	632 209	4 278 083	(3 303 384)	974 699
	90 707 383	(25 975 355)	64 732 028	88 765 155	(16 061 252)	72 703 903

Reconciliation of carrying value of Property, plant and equipment

	Carrying value at beginning of year R	Additions R	Disposals R	Depreciation R	Carrying value at end of year R
2020					
Computer hardware	839 832	660 254	–	(599 297)	900 789
Computer software	181 393	–	–	(155 480)	25 913
Plant and equipment	9 056 300	1 590 347	–	(1 338 468)	9 308 179
Office equipment	45 546	2 999	–	(15 107)	33 438
Furniture and fittings	28 635	–	–	(6 484)	22 151
Right-of-use assets	61 577 498	2 051 975	(2 030 466)	(7 789 658)	53 809 349
Motor vehicles	974 699	–	–	(342 490)	632 209
	72 703 903	4 305 575	(2 030 466)	(10 246 984)	64 732 028
2019					
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

Included in the additions for 2020 is the asset take on balances of R105 694 at book value as at 31 May 2020 for RA Gilbert.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

3. INVESTMENT IN SUBSIDIARY

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

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

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

At 1 June 2020

Consideration	R
Cash	3 319 346
Total consideration transferred	<u>3 319 346</u>

Recognised amounts of identifiable assets acquired, and liabilities assumed

Financial assets	30 437 611
Cash on hand	6 308 165
Trade and other receivables (Note 26 Increase in debtors)	23 696 285
Taxation receivable	433 161
Inventory (Note 26 Increase in inventories)	16 097 546
Property, plant and equipment	105 694
Other non-current assets	1 835 200
Financial liabilities	(40 457 526)
Trade and other payables (Note 26 Increase in trade and other payables)	(35 950 200)
Accrual leave bonuses (Note 26 Movement in leave pay provisions)	(1 556 943)
Provision incentive bonuses (Note 26 Movement in long term liabilities)	(1 891 641)
Provision bad debts (Note 26 Increase in debtors)	(1 058 742)
Bargain purchase gain	(4 699 179)
Total identifiable net assets	<u>3 319 346</u>

All assets acquired and liabilities assumed are recognised at fair value at acquisition date and no provision for impairment of the assets or liabilities are made.

As at the acquisition date RA Gilbert sold medication and protective personal equipment in advance mainly to the new shareholder. This was due to the Covid-19 pandemic and the Scheme issued chronic medication in advance and procured protective personal equipment in bulk as well as procuring medication in bulk due to the possible limited supply during the height of the pandemic. This resulted in an inflated profit of R4 699 179 for the first 5 months of the year which is included in the acquisition reserves. For the rest of the year this profit was reduced because of operational cost incurred with lower sales volumes because of the unprecedented purchases in the first part of the year.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

3. INVESTMENT IN SUBSIDIARY (Continued)

The revenue included in the consolidated statement of comprehensive income since 1 June 2020 contributed by RA Gilbert was R136 678 678. RA Gilbert contributed a loss of R4 544 838 for the period which was offset against the gain on acquisition of subsidiary.

Had RA Gilbert been consolidated from 1 January 2020 the consolidated statement of comprehensive income would have included revenue of R241 530 018 and profit of R154 341.

If new information obtained within one year of the acquisition date about the facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of the acquisition, then the accounting for the acquisition will be revised.

4. PHARMACEUTICAL INVENTORIES	2020 R	2019 R
Pharmaceutical inventories	11 209 324	352 746

No provision for obsolete inventories has been raised for the years ended 31 December 2020 and 31 December 2019. Inventories are regularly checked for expiry and is written off monthly and disposed of as per legal requirements through a registered disposal company.

5. DEFERRED TAXATION

The movement in the deferred tax balance is as follows:

Balance on acquisition of subsidiary	1 835 200	–
Current year deferred tax recognised in surplus or deficit (note25)	103 102	–
Deferred tax asset - end of year	1 938 302	–

The balance at the end of the year comprises:

Provisions	1 938 302	–
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Management believes sufficient taxable profits will be available in future years to utilise the deferred tax asset.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

6. TRADE AND OTHER RECEIVABLES	2020 R	2019 R
<i>Insurance receivables</i>		
Contributions outstanding	3 077 245	24 512 983
Less: Allowance for impairment losses	(585 379)	(1 234 627)
	(1 234 627)	(959 019)
– Allowance for impairment losses at beginning of year	649 248	(275 608)
– Increase in allowance for the year (Note 18)	2 018 669	1 214 409
– Utilised	(1 369 421)	(1 490 017)
– Raised		
	2 491 866	23 278 356
<i>Non-insurance receivables</i>		
	50 603 950	28 246 361
Trade and discount receivables	48 133 333	24 877 231
Deposits	1 451 109	1 439 217
Accrued interest on bank balances	860 938	964 898
Prepayments	1 039 701	965 015
Share of other risk transfer arrangements for outstanding claims	884 631	–
Less: Allowance for impairment losses	(1 765 762)	–
	(1 058 742)	–
– Allowance for impairment losses acquired with purchase of subsidiary	(707 020)	–
– Increase in allowance for the year (Note 18)	618 394	–
– Utilised	(1 325 414)	–
– Raised		
	53 095 816	51 524 717

At 31 December 2020 and 2019 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.

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.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

7. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS	2020 R	2019 R
Designated upon initial recognition		
Fair value at the beginning of the year	347 470 488	325 213 563
Asset management fee (Note 24)	(2 100 735)	(2 145 664)
Cost incurred in maintaining the investment	(34 109)	(26 438)
Investment income re-invested before cost incurred in maintaining the investment	25 233 914	23 967 790
Realised gain on disposal of investments (Note 20)	29 629	55 845
Fair value adjustment (Include equities, bills, bonds and debentures and cash and deposits)	(22 124 712)	405 392
Fair value at the end of the year	<u>348 474 475</u>	<u>347 470 488</u>

The investments are classified as follows:

Bills, bonds and debentures	168 636 497	128 632 227
Equity	121 689 934	107 212 946
Cash and deposits	<u>58 148 044</u>	<u>111 625 315</u>
Fair value at the end of the year	<u>348 474 475</u>	<u>347 470 488</u>

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 0.91% (2019: 7.23%).

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

2020	<i>Level 1</i> R'000	<i>Level 2</i> R'000	<i>Level 3</i> R'000	<i>Reclassification</i> R'000
Financial assets at fair value through profit or loss				
– Bonds	–	168 636 497	–	–
– Equity	121 689 934	–	–	–
– Cash and deposits	<u>58 148 044</u>	–	–	–
Total	<u>179 837 978</u>	<u>168 636 497</u>	–	–

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

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

Fair values of financial assets by hierarchy level (Continued)

Assets measured at fair value

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

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

2019	Level 1 R'000	Level 2 R'000	Level 3 R'000	Reclassification R'000
– Bonds	–	128 632 227	–	–
– Equity	107 212 946	–	–	–
– Cash and deposits	111 625 315	–	–	–
Total	218 838 261	–	–	–

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.

	2020 R	2019 R
8. CASH AND CASH EQUIVALENTS		
Call accounts	384 372 027	152 819 250
Current accounts	20 134 562	55 130 199
Petty cash	14 446	14 302
Cash and cash equivalents as per statement of cash flows	404 521 035	207 963 751

The call accounts are available on demand.

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

The weighted average effective interest rate on call accounts was 4.03% (2019: 6.81%) and on current accounts was 1.29% (2019: 3.36%).

At 31 December 2020 and 2019, the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

9. TAXATION RECEIVABLE	2020	2019
	R	R
Amount receivable on acquisition of subsidiary	433 161	–
Current tax provided (Note 25)	(404 845)	–
Taxation Paid	535 965	–
Taxation refunded	(472 690)	–
Interest received	31 136	–
	<hr/>	<hr/>
Amount receivable at end of the year	122 727	–
	<hr/> <hr/>	<hr/> <hr/>

10. LONG TERM LIABILITIES

10.1 Lease Liability

Balance at the beginning of the year (initial cost 2019)	55 415 232	68 895 599
Add back amount payable within one year for prior year provision	11 622 793	–
Additions to lease liability (new leases entered)	2 051 975	–
Termination of lease (no penalties charged)	(2 398 828)	–
Interest for the year (Note 22)	8 434 813	8 597 028
Paid during the year	(11 745 274)	(10 454 602)
Payable within 1 year (Note 11)	(12 990 336)	(11 622 793)
	<hr/>	<hr/>
Balance at end of the year	50 390 375	55 415 232
	<hr/> <hr/>	<hr/> <hr/>

The maturity analysis of the lease liability is as follows:

Within one year classified under current liabilities	12 990 336	11 622 793
Two to five years	56 236 161	52 834 737
More than five years	36 728 899	50 636 905
	<hr/>	<hr/>
Total future payments	92 965 060	103 471 642
	<hr/> <hr/>	<hr/> <hr/>

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

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

The following are the amounts recognised in surplus or deficit:

– Depreciation expenses of right-of-use asset (Note 2)	7 789 658	7 318 101
– Interest expenses on lease liabilities (Note 22)	8 434 813	8 597 028
– Expenses related to low value assets (Note 21)	298 474	167 254
– Expenses related to short term leases (Note 21)	2 734 680	2 087 326
	<hr/>	<hr/>
Total amount recognised in surplus or deficit	19 257 625	18 169 709
	<hr/> <hr/>	<hr/> <hr/>

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

10. LONG TERM LIABILITIES (Continued)

10.2 Long-term incentives	2020 R	2019 R
Provision for long-term incentive scheme (LTIS)		
Balance at beginning of the year	19 741 174	19 784 885
Provided during the year	17 908 604	17 922 379
Payable within 1 year (Note 11)	(23 313 870)	(17 966 090)
Balance at end of the year	14 335 908	19 741 174

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

2018 portion not yet recognised	–	7 398 332
2019 portion not yet recognised	3 160 006	6 134 983
2020 portion not yet recognised	16 031 791	–
Total amount not yet recognised	19 191 797	13 533 315
Total long-term liabilities	64 726 283	75 156 406

11. TRADE AND OTHER PAYABLES

<i>Insurance payables</i>	37 106 918	7 318 679
Unallocated deposits: Employer group	3 573 665	2 934 412
: Pensioners' contributions received in advance	2 059 378	2 167 461
Reported claims not yet paid	30 589 244	2 216 806
– Balance at the beginning of the year	2 216 806	25 953 076
– Claimed during the year (Note 15)	821 661 304	864 313 623
– Paid during the year	(793 288 866)	(888 049 892)
Accrual for outstanding claims under other risk transfer arrangements	884 631	–
<i>Non-insurance liabilities</i>	132 546 554	71 211 826
Other payables and accrued expenses	35 541 916	15 859 657
Payroll creditors	1 018 648	209 085
Short term incentive bonus liability	51 127 701	17 948 842
Long-term incentive bonus liability payable within one year (Note 10.2)	23 313 870	17 966 090
Lease liability right-of-use assets payable within one year (Note 10.1)	12 990 336	11 622 793
South African Revenue Services – VAT	3 209 562	591 212
Payment received in advance under capitation fee services	4 392 095	3 760 305
RA Gilbert Proprietary Limited	–	6 989 958
Platmed Proprietary Limited	943 340	1 848 551
Rustenburg Platinum Mines Limited	9 086	–
Total trade and other payables	169 653 472	84 115 172

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

11. TRADE AND OTHER PAYABLES (Continued)

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

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

	Covered by risk transfer arrangements R	Not covered by risk transfer arrangements R
12. OUTSTANDING CLAIMS PROVISION		
2020		
Provision for outstanding claims		
– Incurred but not yet reported	884 631	44 515 369
Analysis of movements in outstanding claims		
Balance at beginning of year	–	49 400 000
Payments in respect of prior year	–	45 352 902
Over provision in prior year	–	4 047 098
Adjustment for current year	884 631	40 468 271
Balance at end of year	884 631	44 515 369
Analysis of outstanding claims provision		
Estimated gross claims	884 631	44 515 369
	884 631	44 515 369
Net exposure in respect of outstanding claims		
Gross outstanding claims	884 631	44 515 369
Net outstanding claims	884 631	44 515 369

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

12. OUTSTANDING CLAIMS PROVISION (Continued)	Covered by risk transfer arrangements R	Not covered by risk transfer arrangements
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

Process used to determine the assumptions

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

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

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

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

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

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

12. OUTSTANDING CLAIMS PROVISION (Continued)

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

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

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected claims ratios for the most recent benefit years for the in-hospital, chronic and above threshold categories of claims. These are used for assessing the outstanding claims provision for the 2020 and 2019 benefit years. The expected claims ratio assumed for the benefit years 2020 and 2019 is 38% & 38% for in-hospital, 20% & 20% 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.

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 74.60% (2019: 86.76%) of actual 2020 claims processed from January 2021 to March 2021 which relate to 2020 claims processed in 2021. Therefore, the remaining balance has variables considered to be immaterial and no impact has been assessed for significant changes to these variables. However, should the materiality level of an individual variable change, assessment of and reasonable changes to that variable in the future may be required.

	<i>Change in variable</i>	<i>Change in liability</i>	
		2020 R	2019 R
In-hospital benefits: 35% (2019: 38%)	1	3 662 824	3 820 414
Specialist costs: 12% (2019: 13%)	1	1 241 013	1 296 293
Pharmaceutical and Chronic medicine costs: 21% (2019: 20%)	1	2 218 912	2 036 639
Clinical Pathology: 8% (2019: 7%)	1	825 804	698 426
Average claims for the Scheme	1	1 042 094	961 305
Manual claims (transactions) as a % of total claims (transactions)	1	5.06%	6.65%

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

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)**

13. LEAVE ACCRUAL	Leave pay R	Holiday leave allowance R	Total R
2020			
Balance at the beginning of the year	12 042 625	3 041 315	15 083 940
Net accumulated during the year	<u>1 861 147</u>	<u>1 025 189</u>	<u>2 886 336</u>
Balance at the end of the year	<u><u>13 903 772</u></u>	<u><u>4 066 504</u></u>	<u><u>17 970 276</u></u>
2019			
Balance at the beginning of the year	14 001 647	2 790 973	16 792 620
Net (utilised) / accumulated during the year	<u>(1 959 022)</u>	<u>250 343</u>	<u>(1 708 680)</u>
Balance at the end of the year	<u><u>12 042 625</u></u>	<u><u>3 041 315</u></u>	<u><u>15 083 940</u></u>

Leave pay

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

Holiday leave allowance

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

14. GROSS CONTRIBUTION INCOME	2020 R	2019 R
Gross contributions	<u><u>1 469 049 960</u></u>	<u><u>1 309 568 438</u></u>

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

15. NET CLAIMS INCURRED	2020 R	2019 R
Claims incurred, excluding claims incurred in respect of risk transfer arrangements		
Current year claims	821 661 305	864 741 340
Services provided to members in own facilities (Note 21)	364 845 965	289 745 516
Accredited managed care – healthcare services	428 660	410 321
Movement in outstanding claims provision	44 515 369	49 400 000
– Over provision in prior year	4 047 098	313 327
– Adjustment for current year	40 468 271	49 086 673
	<u>1 231 451 299</u>	<u>1 204 297 177</u>
Claims incurred in respect of risk transfer arrangements		
Current year claims incurred in respect of risk transfer arrangements	6 331 962	7 808 538
Movement in outstanding claims provision		
– Adjustment for current year (Note 12)	884 631	–
	<u>7 216 593</u>	<u>7 808 538</u>
Third party claims recovery (Road Accident Fund)	(651 271)	(3 683 859)
Net claims incurred	<u>1 238 016 621</u>	<u>1 208 421 856</u>
16. NET LOSS ON RISK TRANSFER ARRANGEMENTS		
Rustenburg Specialists	3 348 626	1 818 868
Premiums paid to Rustenburg Specialists	10 565 219	9 627 406
Less: Rustenburg Specialists services at Scheme rates (claims figures received directly from service provider)	(7 216 593)	(7 808 538)
Loss on risk transfer arrangements	<u>3 348 626</u>	<u>1 818 868</u>

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

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

17. MANAGED CARE: MANAGEMENT SERVICES	2020 R	2019 R
External		
Knowledge Objects – Clinical audits	696 722	666 593
Medikredit – Pharmaceutical protocols, formularies and hospital audits	<u>3 443 501</u>	<u>4 438 462</u>
	<u>4 140 223</u>	<u>5 105 055</u>
Internal		
Development, implementation and management of agreements with provider networks and providers	3 768 135	2 839 547
Claims management services	1 076 610	811 299
Disease management	1 076 610	811 299
HIV management	538 305	405 650
Disease/prescribed minimum benefit	538 305	405 650
Managed hospital care	1 076 610	811 299
Contracted network primary health care and specialist services	538 305	405 650
Oncology utilisation management	1 076 610	811 299
Psychiatric and psychology benefit management	215 322	162 260
Radiology management services	538 305	405 650
Service provider negotiations and management	215 322	162 260
Optical management	<u>107 661</u>	<u>81 130</u>
	<u>10 766 100</u>	<u>8 112 993</u>
Total Managed Care – Management Services	<u>14 906 323</u>	<u>13 218 048</u>

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

18. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES

Contributions not collectable		
Movement in provision (Note 6)	(57 773)	(275 608)
Impairment loss recognised directly to statement of comprehensive income	<u>(2 637 063)</u>	<u>(1 214 409)</u>
	<u>(2 694 836)</u>	<u>(1 490 017)</u>

Impairment loss recognized of R2 637 063 is for insurance and trade debtors that could not be recovered in the current year.

The impairment amount of R2 351 141 is the provision for the 2020 financial year of the credit impairment for insurance debtors R585 379 and trade and other receivables R1 765 762 for the 2020 financial year.

The increase in the impairment losses in 2020 is a direct result of medical scheme administration not being able to recover long outstanding contributions from insurance debtors in the financial year.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

19. ADMINISTRATION EXPENSES	2020 R	2019 R
Scheme		
Accommodation	3 032 927	3 224 099
Administration salaries	62 487 087	40 191 949
Advertising marketing and promotions costs	4 665 011	2 622 145
Audit fees (Note 21 and Note 23)	3 785 204	2 637 612
Bank charges	649 463	523 850
Computer costs	4 055 378	4 724 674
Conference and seminars	–	271 065
Consultant fees	2 023 280	3 501 794
Depreciation	2 123 569	1 832 661
Entertainment	962 366	1 256 889
Fidelity guarantee insurance premium	3 761 014	1 640 913
Foodstuff	37 688	–
Insurance premiums: Other	845 695	963 068
Legal expenses	1 695 184	1 211 155
Management fees	63 278	3 124 943
Motor vehicle expenses and fuel cost	2 712 182	3 273 139
Principal Officer's fees and remuneration	2 544 638	2 376 856
Record storage	7 345	(217 408)
Recruitment cost	177 527	–
Registrar's levies	1 993 245	2 397 733
Removal cost	–	17 713
Rental offices	85 204	–
Security services	418 137	–
Small assets written off	868 889	–
Stationery and printing	1 180 991	1 992 030
Subscriptions	122 192	238 966
Sundry revenue	(143 641)	–
Telephone and postage	914 562	1 114 268
Transport costs	895	874
Water and electricity	239 017	–
Total	<u>101 308 327</u>	<u>78 920 988</u>
20. INVESTMENT INCOME		
Investment income received (financial assets at fair value through profit or loss)	25 119 902	24 019 157
– Interest on investments at fair value	16 923 886	18 306 453
– Dividends	8 166 387	5 656 859
– Realised gain on disposal of investments (Note 7)	29 629	55 845
Interest on bank accounts (loans and receivables)	10 543 509	10 516 437
	<u>35 663 411</u>	<u>34 535 594</u>

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

21. OWN FACILITY SURPLUS	2020		2019	
	Members R	External Parties R	Members R	External Parties R
Income from the use of own facilities	442 216 259	108 279 582	309 051 406	103 345 363
– By members (Note 15) *	364 845 965	–	289 745 516	–
– By Members Levies received	3 277 177	–	4 274 996	–
– By members Pharmacy	74 093 117	–	15 030 894	–
– By external parties Employee assistance programme	–	4 460 969	–	4 016 914
– By external parties Capitation fee income	–	103 818 613	–	99 328 449
Less: Costs incurred in the provision of own facilities to members and external parties	(442 216 259)	(100 987 923)	(309 051 406)	(97 630 113)
– Salaries and wages	(199 303 675)	(69 200 060)	(160 173 645)	(69 024 318)
– Accommodation	(658 543)	(27 459)	(1 492 194)	(106 667)
– Advertising marketing and promotions costs	(41 510)	(8 326)	(27 681)	–
– Audit fees (Note 23)	–	(304 168)	–	(210 075)
– Bank charges	(22 234)	–	(57 450)	–
– Cleaning services	(5 964 938)	(2 387 679)	(7 230 712)	(610 391)
– Computer costs	(24 784 720)	(4 131 248)	(20 334 437)	(3 328 204)
– Clothing	(1 577 784)	(100 283)	(735 744)	(657 924)
– Consultant fees	–	(182 400)	(412 526)	(99 390)
– Consumables	(2 810 155)	(731 557)	(1 546 085)	(183 577)
– Depreciation**	(8 038 137)	(47 513)	(7 592 854)	(37 485)
– Emergency medical services at capitation fee facilities	–	(14 722 802)	–	(12 844 430)
– Entertainment	(113 784)	–	(184 553)	(95 405)
– Foodstuffs	(1 272 346)	(10 282)	(1 442 784)	(99 533)
– Insurance cost	–	–	(202 260)	–
– Interest paid on lease liability right-of-use assets** (Note 22)	(7 019 278)	–	(7 282 015)	–
– Legal expenses	(23 135)	–	(10 120)	–
– Maintenance and repairs	(4 615 137)	(524 596)	(12 795 869)	(165 908)
– Management fees	(261 492)	(41 906)	(5 052 414)	(1 361 150)
– Medical waste removal	(283 588)	(7 867)	(143 772)	(89 145)
– Motor vehicle expenses and fuel cost	(2 878 510)	(1 040 431)	(1 360 953)	(544 201)
– Pharmaceutical and other medical related expenses***	(35 600 178)	(4 241 147)	(51 986 546)	(4 531 281)
– Pharmacy expenses incurred	(142 493 119)	–	(13 358 618)	–
– Record storages	(73 898)	–	(54 402)	–
– Recruitment costs	(626 524)	(97 526)	(228 551)	(249 504)
– Rental of equipment***	–	(2 742 443)	–	(2 087 326)
– Rental offices**	(1 286 276)	–	(1 094 281)	–
– Security services	(2 392 363)	–	(2 258 544)	(268 674)
– Small assets written off	(1 228 075)	(190 291)	(3 426 201)	32 714
– Stationery and printing	(1 501 084)	(128 076)	(675 673)	(128 200)
– Subscriptions	(305 626)	(26 981)	(204 196)	(11 855)
– Telephone and postage	(1 179 155)	(92 924)	(1 319 698)	(66 204)
– Training	(361 259)	(97 139)	(566 235)	(19 130)
– Transportation cost	(254 690)	(120 535)	(639 536)	(220 197)
– Water and electricity	(6 078 224)	(289 909)	(5 521 554)	(553 058)
– Other revenue / (expenses)	10 833 178	507 925	360 697	(69 595)
Surplus	–	7 291 659	–	5 715 250

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

21. OWN FACILITY SURPLUS (Continued)

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

- (*) The Group's salary costs and other costs incurred for providing these services from our facilities to its members is shown under relevant healthcare expenditure (refer Note 15). The salary cost and other costs incurred to provide services to external parties are shown as expense from external parties.
- (**) The Group applied IFRS 16 and the result is an increase in depreciation and interest paid on lease liability to the amount of R6 474 642 (2019: R6 095 673) and R7 019 278 (2019: R7 282 015) respectively and a subsequent reduction in rental paid for offices of R11 745 274 (2019: R10 545 602). This amount is the VAT exclusive amount as IFRS 16 excludes VAT from the calculation of the right of use asset and lease liability.
- (***) The Group opted not to classify low value asset leases and short-term leases under lease liabilities and the amounts are expensed as follows:

	2020 R	2019 R
– Low value assets	298 474	167 254
– Short term leases	<u>2 734 680</u>	<u>2 087 326</u>
Total	<u><u>3 033 154</u></u>	<u><u>2 254 580</u></u>

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

	2020 R	2019 R
22. FINANCE COSTS		
Interest accrued		
– Long-Term Incentive Scheme interest accrued	1 812 562	3 278 002
– Lease liability (classified under administrative expenses)	1 415 535	1 315 013
– Total interest accrued lease liability (Note 10.1)	8 434 813	8 597 028
– Lease liability transferred to own facility surplus (Note 21)	(7 019 278)	(7 282 015)
Total interest accrued	3 228 097	4 593 015
23. AUDITORS' REMUNERATION		
External audit fees	2 649 549	1 685 904
– the Scheme (note 19 and note 21)	2 381 747	1 685 904
– RA Gilbert Proprietary Limited (note 21, included in Pharmacy expenses incurred)	267 802	–
Internal audit fee	1 707 625	1 161 783
Total audit fees paid	4 357 174	2 847 687
24. ASSET MANAGEMENT FEES		
Asset management fees paid to Allan Gray (Note 7)	2 100 735	2 145 664
Fees are payable as per agreement with Allan Gray, based on the investment amounts.		
25. TAXATION		
South African normal tax		
Current taxation		
– Current year	404 845	–
Deferred taxation		
– Current year	(103 102)	–
Total income tax paid	301 743	–
Statutory rate of taxation	28	28
Permanent difference non-taxable income*	99	–
Effective rate of taxation	0	–

*Full income of the Scheme is tax exempted.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

26. CASH FLOWS FROM OPERATIONS	2020 R	2019 R
Reconciliation of net surplus for the year to cash generated by operations		
Surplus for the year	130 385 332	39 849 047
Adjustments for:		
– Investment income (Note 20 and Note 7)	(25 119 902)	(24 019 157)
– Investment income shown under sundry revenue	(143 641)	(4 478)
– Bargain purchase gain (Note 3)	(4 699 179)	–
– Cost incurred in maintaining investment (Note 7)	34 109	26 438
– Management fee paid to investment managers (Note 7)	2 100 735	2 145 664
– Movement in impairment losses (Note 18)	2 694 836	1 490 017
– Movement in leave accruals (Note 3 and Note 13)	1 329 393	(1 708 680)
– Movement in long-term liabilities (Note 3 and Note 10.2)	(7 296 907)	(43 711)
– Movement in claims provisions (Note 12)	(4 000 000)	9 400 000
– Depreciation (Note 2)	10 246 984	9 463 000
– Interest paid lease liability (Note 10.1)	8 434 813	8 597 028
– Gain on termination of lease	(368 362)	–
– Profit on disposal of assets	(10 620)	(99 424)
– Net loss / (gains) on revaluation of investments held at fair value through profit or loss (Note 7)	22 124 712	(405 392)
Surplus before working capital changes	135 712 303	44 690 352
Working capital changes	71 833 133	(55 918 318)
– Increase in trade and other receivables (Note 3)	18 371 608	370 168
– Decrease / (increase) in inventories (Note 3)	5 240 968	(4 270)
– Decrease / (increase) in trade and other payables (Note 3)	48 220 557	(56 284 216)
Cash generated / (utilised in) by operations	207 545 436	(11 227 966)

27. FINANCIAL RISK MANAGEMENT

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

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

27. FINANCIAL RISK MANAGEMENT (Continued)

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

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

Credit risk

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

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

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

Trade and other receivables

Counterparties without external credit rating include:

Contribution debtors

On analysing the credit quality of contribution debtors fully performing, the Scheme effectively collected 99% of these amounts in January 2021. This indicates a high quality relating to these debtors. Consequently, no additional disclosure of the credit quality is provided.

Other debtors

On analysing the credit quality of other debtors, the Group is likely to collect 100% of these amounts over the agreed periods in 2021. Consequently, no additional disclosure of the credit quality is provided.

Exposure to credit risk

The carrying amount of financial assets that is past due but not impaired amounts to R9 508 278 (2019: R1 049 312) and impaired amounts to R2 351 141 (2019: R1 234 627).

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

27. 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
2020				
Insurance receivables				
– Current	–	1 583 774	–	1 583 774
– 30 days	–	–	908 093	908 093
– 60 days	–	–	–	–
– 90 days	–	–	–	–
– 120 days	–	–	–	–
Other risk transfer arrangements				
– Share of outstanding claims provision	–	884 631	–	884 631
Accrued interest on investments	–	860 938	–	860 938
Other receivables	968 681	38 884 107	8 934 573	47 818 680
Cash and cash equivalents	–	404 521 035	–	404 521 035
Investments	–	348 474 475	–	348 474 475
Total	968 681	795 208 930	9 842 666	805 051 626
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

Insurance and other receivables outstanding were impaired by R2 351 141 (2019: R1 234 627).

Refer to note 6 for comprehensive reconciliation of impairment amount.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

27. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Instrument analysis

Asset class	Top 5 Holdings	Ratings (long term)	% of Portfolio
2020			
Cash (As a percentage of the Scheme's cash portfolio)	First Rand Bank	BBB- (zaf)	33.12
	Standard Bank	BBB- (zaf)	5.28
	Nedbank	BBB- (zaf)	2.12
	Investec	BBB- (zaf)	57.51
	Absa	BBB- (zaf)	1.85
	African Bank	–	0.00
	SAFEX	–	0.11
Equity (As a percentage of the Allan Gray investment portfolio)	Naspers	Baa3	3.38
	British American Tobacco	Baa2	3.41
	Glencore	Baa1	3.08
	Multi Choice		1.29
	Standard Bank	Ba1	1.59
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

Qualitative disclosures

Financial investments

Cash and cash equivalents

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

27. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Qualitative disclosures (Continued)

Financial investments (Continued)

Investments

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

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

Trade and other receivables

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

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

1. *Contributions outstanding*

Outstanding contributions arise due to:

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

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

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

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

2. *Recoveries from members for co-payments*

The debt may arise due to the following:

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

The above is managed by applying the Group Credit Control Policy. Membership are either suspended or terminated for outstanding contributions. The application thereof assists in that the Group'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.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

27. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Qualitative disclosures (Continued)

Financial investments (Continued)

3. *Provider debt*

The debt may arise due to the following:

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

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

Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Group has the ability to fund its day-to-day operations.

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

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

27. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

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

As at 31 December 2020	Up to 1 month R	2 – 3 months R	4 – 12 months R	1 – 5 years R	Over 5 years R	Total R
ASSETS						
Assets	795 208 960	908 093	8 934 573	–	–	805 051 626
Trade and other receivables	42 213 450	908 093	8 934 573	–	–	52 056 116
Investments held at fair value through profit or loss	348 474 475*	–	–	–	–	348 474 475*
Cash and cash equivalents	404 521 035	–	–	–	–	404 521 035
Total assets	795 208 960	908 093	8 934 573	–	–	805 051 626
LIABILITIES						
Liabilities	168 969 804	8 328 762	17 162 912	56 236 161	36 728 899	287 426 538
Trade and other payables	143 428 435	–	5 633 043	–	–	149 061 478
Outstanding claims provision	25 541 369	8 328 762	11 529 869	–	–	45 400 000
Lease liabilities	–	–	–	56 236 161	36 728 899	92 965 060
Total liabilities	168 969 804	8 328 762	17 162 912	56 236 161	36 728 899	287 426 538
As at 31 December 2019						
ASSETS						
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						
Liabilities	91 612 897	7 360 636	18 567 328	52 834 737	50 636 905	221 012 503
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
Lease liabilities	–	–	–	52 834 737	50 636 905	103 471 642
Total liabilities	91 612 897	7 360 636	18 567 328	52 834 737	50 636 905	221 012 503

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

27. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

* The investment in Allan Gray is classified as current as it can be disposed of immediately without maturing restrictions. The Group have performed the aging of the underlying assets that make up the investment below.

	Up to 1 month R	2 – 3 months R	4 – 12 months R	1 – 5 years R	Over 5 years R	Total R
As at 31 December 2020						
Investments held at fair value through profit or loss	22 444 335	23 500 530	33 702 707	268 826 905	–	348 474 475
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

Market risk

Investments

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

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

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

Currency risk

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

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

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)**

27. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

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

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

Returns on interest-bearing instruments decreased during the current year due to lower interest rates.

Interest rate sensitivity

	Increase/decrease in interest rate	Effect on surplus for the year R
2020		
Call accounts	1%	3 843 720
Short term investments	1%	2 267 845
Current accounts	1%	201 346
2019		
Call accounts	1%	1 528 193
Short term investments	1%	2 402 575
Current accounts	1%	551 302

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

Sensitivity analysis - All interest-bearing instruments

Basis

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of the investment performance. For 2021 it is expected that the interest rate will have a downward trend of 1% (2020: 1% downward) 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 989 731 if the investment performance had been lower by 1% during 2020 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 R274 666 (2019: 288 229); an equal change in the opposite direction would have increased income by R274 666 (2019: R288 229).

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

27. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

Investments

Allocation

Asset managers	Mandate	Investment vehicle	R	%
2020				
Platinum Health Medical Scheme	Liquidity/cash *		404 521 035	53.72
Allan Gray	Medical Scheme Portfolio	Pooled	348 474 475	46.28
2019				
Platinum Health Medical Scheme	Liquidity/cash *		207 963 751	37.44
Allan Gray	Medical Scheme Portfolio	Pooled	347 470 488	62.56

* Includes the current account and call account.

Price risk

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

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

Sensitivity analysis - Equity

Basis

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of the investment performance. For 2021 it is expected that the markets will recover the COVID-19 pandemic effects and that a 15% increase in market value could be experienced compared to the radical market fall as experienced during 2020. The increase expected is 15% and it suggests the closing market value could have been R139 943 425 if the investment performance had been higher by 15% during 2020 as compared to the market investment performance.

Contrary to the 2020 expectation of a 50% decrease in dividends income received from dividends increased by 44% during this period. It is not expected that dividends will increase during 2021 and thus a 2% increase is expected. A 2% (2019 50%) change in the investment return at the reporting date would have increased surplus or deficit by R163 328 (2019: R2 828 425); an equal change in the opposite direction would have decreased income by R163 328 (2019: R2 828 425).

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

27. FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity analysis - Equity (Continued)

Investment risk and investment return

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

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

	Financial assets at fair value through profit or loss Designated upon initial recognition R	Loans and receivables at amortised cost R	Financial liabilities at amortised cost R	Total carrying amount R	Fair value amount R
2020					
Investments	348 474 475	–	–	348 474 475	348 474 475
Cash and cash equivalents	–	404 521 035	–	404 521 035	404 521 035
Trade and other receivables	–	52 056 116	–	52 056 116	52 056 116
Outstanding claims provision	–	–	(45 400 000)	(45 400 000)	(45 400 000)
Trade and other payables	–	–	(149 061 478)	(149 061 478)	(149 061 478)
	348 474 475	456 577 151	(194 461 478)	610 590 148	610 590 148
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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

28. FUND ADEQUACY

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

The Group considers its investment (Investments: R348m) and cash assets (Trade and other receivables: R36m Cash and cash equivalents: R401m) as capital and has adequate policies and controls in place to manage its capital to obtain maximum return on its capital with an acceptable risk related to the investments.

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

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

	2020	2019
Solvency margin	40%	35%

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

29. POST RETIREMENT BENEFITS

The Group contributes on behalf of its qualifying employees to the Old Mutual Superfund. The Group 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 Group to fund obligations for the payment of retirement benefits, are charged against surplus or deficit in the year of payment.

	2020 R	2019 R
Total expense for the year	113 630	52 851
Expense relating to key management personnel	932	11 184

30. RELATED PARTY TRANSACTIONS

(a) Parties with significant impact over the Group

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

30. RELATED PARTY TRANSACTIONS (Continued)	2020 R	2019 R
<i>(a) Parties with significant impact over the Group (Continued)</i>		
<i>Statement of comprehensive income</i>		
RA Gilbert Proprietary Limited (Note 34)	(65 306 124)	(136 990 936)
– Management fee paid to Platinum Health Medical Scheme	1 671 166	3 766 006
– Medicine costs paid by Platinum Health Medical Scheme	(66 977 290)	(140 756 942)
Rustenburg Platinum Mines Limited	(320 758)	(9 605 747)
– Venue and catering services rendered to Platinum Health Medical Scheme	(217 383)	(67 240)
– Management fee reversed / (paid) by Group	538 141	(9 538 507)
Anglo American Platinum Limited		
– Contribution subsidy paid on behalf of employees	347 697 864	271 463 982
<i>Statement of financial position</i>		
Platmed Proprietary Limited	(943 340)	(1 848 551)
– Overhead costs paid (on behalf of) / by Platinum Health Medical Scheme	(943 340)	(1 848 551)
R A Gilbert Proprietary Limited		
– Medicines purchased by Platinum Health Medical Scheme	–	(6 989 958)
Rustenburg Platinum Mines Limited		
– Management fee paid to Platinum Health Medical Scheme	(9 086)	–

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.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

30. RELATED PARTY TRANSACTIONS (Continued)

(a) Parties with significant impact over the Group (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 Group other than stated below. The Principal Officer's salary is disclosed in Note 19.

	2020 R	2019 R
<i>Statement of comprehensive income</i>		
Key management remuneration	28 241 510	21 918 510
Short term employee benefits	22 886 046	17 729 957
Post-employment benefits	932	11 184
Other long-term benefits	5 354 532	4 177 369
Contributions received from Key management and Trustees	1 110 246	1 019 442
Claims incurred by Key Management and Trustees	(2 076 370)	(1 420 819)
Trustee's expenses		
Dr C Mbekeni – Disbursements	–	25 628
Mr P Krause – Disbursements	–	27 130
Mr J Jacobs – Disbursements	–	2 498
Ms L Roets – Disbursements	2 920	4 967
Mr N Machumele – Disbursements	–	25 961
Mr S Pheto – Disbursements	2 620	28 219
Mr K Kokohlabang – Disbursements	2 520	28 019
Mr D Noko – Disbursements	2 620	29 030
Mr J Hlangweni – Disbursements	420	–
Mr P Maimela – Disbursements	2 320	28 341
Mr P Malamula – Disbursements	2 620	28 341
Mr B Molefe – Disbursements	2 520	28 548
Mr AM Makou – Disbursements	2 100	29 119
Mr E Mungai – Disbursements	–	2 498
Mr D McDonald – Disbursements	2 220	2 070
Ms T Segoe (nee Tau) – Disbursements	–	27 212
Mr C Smith – Disbursements	–	18 076
	22 880	335 657

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

30. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel (continued)

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

The trustees attended the Board of Health Care Funders conference and training and all expenses were paid for by the Group. Trustees who opted to receive a cell phone allowance of R160 (2019: R160) per month and a meeting attendance allowance of R100 (2019: R100) are remunerated accordingly.

Terms and conditions of agreement

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

(c) Terms and conditions of the related party transactions

(a) *Contribution subsidy*

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

(b) *Contributions receivable*

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

(c) *Contributions subsidy received in advance*

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

(d) *Expense disbursements*

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

(e) *Investment management fees*

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

31. MEDICAL INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating insurance risk

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

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

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

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

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

Age grouping (in years)		In-hospital		Chronic		Day to day R (000)	Total R (000)	
		PMB R (000)	Non PMB R (000)	PMB R (000)	Non PMB R (000)			
2020								
	< 25	Gross	38 833	14 342	3 996	10 756	58 139	126 067
		Net	38 454	14 211	3 754	10 290	51 052	117 761
25 – 39	Gross	54 109	26 065	15 526	17 907	122 882	236 489	
	Net	53 121	25 834	15 141	17 074	112 727	223 897	
40 – 55	Gross	66 009	32 685	47 940	17 840	119 067	283 541	
	Net	65 573	32 350	46 618	16 748	108 700	269 990	
56 – 69	Gross	46 317	17 627	28 257	10 743	65 551	168 496	
	Net	45 966	17 540	26 873	9 865	59 159	159 403	
> 69	Gross	17 580	5 135	6 099	3 847	20 744	53 405	
	Net	17 526	5 125	5 770	3 493	18 695	50 610	
	Gross	222 848	95 855	101 819	61 094	386 382	867 998	
	Net	220 641	95 060	98 156	57 471	350 333	821 661	

Movements in outstanding claims provision (Note 12)	45 400
Claims related to risk transfer arrangements (Note 15)	7 217
Total	874 278

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

31. MEDICAL INSURANCE RISK MANAGEMENT (Continued)

Age grouping (in years)		In-hospital		Chronic		Day to day R (000)	Total R (000)
		PMB R (000)	Non PMB R (000)	PMB R (000)	Non PMB R (000)		
2019							
< 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 12)	49 400
Claims related to risk transfer arrangements (Note 15)	7 809
Total	921 950

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.

31. MEDICAL INSURANCE RISK MANAGEMENT (Continued)

Risk in terms of risk transfer arrangements

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

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

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

Hospital benefits

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

Medicine benefits

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

Specialist costs

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

Pensioner ratio

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

Claims development

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

Quantitative risk factors

The effects of the changes in the risk areas identified are set out below. Each change in the criteria represents the impact on the 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 40% (2019: 35%) represents sufficient income for the Scheme to continue as a going concern.

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

31. MEDICAL INSURANCE RISK MANAGEMENT (Continued)

Quantitative risk factors (Continued)

Instrument analysis

	Total approved budget for area	Sensitivity 1 @ 1% increase – claims (Increase)/ decrease	Sensitivity 2 @ 2% increase – claims (Increase)/ decrease
Impact of increased utilisation on the approved budget	R	Impact of alternative %	Impact of alternative %
2020			
<i>Inflation assumptions</i>			
(a) Hospitalisation costs			
– Budget scenario – 6.0% *	433 617 717	7%	8%
– Effect on claims – R		4 336 177	8 672 354
– Effect on solvency – %		(0.30)/0.30	(0.60)/0.60
(b) Medicine costs			
– Budget scenario – 5.0% *	237 617 005	6.0%	7.0%
– Effect on claims – R		2 376 170	4 752 340
– Effect on solvency – %		(0.16)/0.16	(0.32)/0.32
(c) Specialist costs			
– Budget scenario – 4.7% *	146 379 781	5.7%	6.7%
– Effect on claims – R		1 463 798	2 927 596
– Effect on solvency – %		(0.10)/0.10	(0.20)/0.20
(d) Continuation members' ratio			
– Budget scenario – 3.9% *	3.9%	4.9%	5.9%
– Effect on claims – R		1 078 825	2 157 650
– Effect on solvency – %		(0.07)/0.07	(0.14)/0.14
2019			
<i>Inflation assumptions</i>			
(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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

31. MEDICAL INSURANCE RISK MANAGEMENT (Continued)

Operational risks

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

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

- coronavirus disease 2020 (COVID-19);
- outstanding contracts;
- changes in demographics in the mining industry; and
- trade union dynamics.

32. CONTINGENT ASSET

Road Accident Fund (RAF)

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

Schedules of claims to the value of R26 832 303 (2019: R R30 536 806) were provided to the lawyers who were appointed by the members for inclusion in the claim to be lodged against the RAF.

33. SUBSEQUENT EVENTS

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

34. ACQUISITION OF RA GILBERT PROPRIETARY LIMITED

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

35. IMPLICATIONS OF COVID-19

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

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

35. IMPLICATIONS OF COVID-19 (Continued)

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

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

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

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

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

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

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

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

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

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

PLATINUM HEALTH MEDICAL SCHEME

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

35. IMPLICATIONS OF COVID-19 (Continued)

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

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

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

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

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

(1) Investments in employer and administrator companies

Nature and cause of non-compliance

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

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

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

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

• MMI Holdings Ltd	263 107	3 333 822
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36. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 of 1998 (Continued)

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

Possible impact of non-compliance

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

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

Compliance with the Medical Scheme Act should always be considered when investments are made by the Scheme or by the portfolio managers. If not in compliance, the Registrar should be informed immediately. The Scheme has no direct or indirect influence over the Allan Gray investment strategies as the pooled funds are invested to optimise return on investment for the entire portfolio. A letter confirming the exemption from investing in employer 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 2020, there were contribution debtors outstanding for more than 30 days to the amount of R1 493 472 (2019: R1 915 070). This amount represents about 1% of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Medical Schemes Act.

Possible impact of non-compliance

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

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

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

PLATINUM HEALTH MEDICAL SCHEME

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)**

37. Revenue from contracts with customers

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

	2020 R	2019 R
Revenue from contracts with customers	84 226 532	0*
Total Revenue	84 226 532	0*

* The entity only has revenue from customers from contracts in the current period because of the acquisition of RA Gilbert (Note 3).

Performance obligation and revenue recognition policies:

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

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

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

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

Revenue Recognition Policies:

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

PLATINUM HEALTH MEDICAL SCHEME

DETAILED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Plat Comprehensive R	Plat Cap R	Plat Freedom R	Total R
2020 AUDITED					
Gross contribution income		1 345 713 479	49 822 248	73 514 233	1 469 049 960
Total net claims incurred		(1 156 323 982)	(33 711 330)	(51 329 935)	(1 241 365 247)
Gross claims reported and/or paid for risk carried by the Scheme		1 107 199 647	32 679 814	49 753 824	1 189 633 285
– Direct claims for the period	Actual	692 462 563	15 221 209	37 384 117	745 067 889
– Direct benefits for the previous period (Note 12)	1	41 175 291	1 253 984	2 923 627	45 352 902
– Direct benefits reported not paid	1	27 928 373	1 143 926	1 516 945	30 589 244
– Net expenses from other risk transfer arrangements		3 205 226	143 400	–	3 348 626
– Managed care: management services		399 784	11 210	17 666	428 660
– Services rendered in own facilities	Actual	342 028 410	14 906 085	7 911 469	364 845 964
Movement in outstanding claims provision		42 219 685	719 573	1 576 111	44 515 369
– Over / (under) provision in prior year	1	5 986 846	(387 039)	(1 552 709)	4 047 098
– Adjustment for current year	1	36 232 839	1 106 612	3 128 820	40 468 271
Total claims paid for risk carried by Scheme		1 149 419 332	33 399 387	51 329 935	1 234 148 654
Gross claims reported and/or paid for in respect of related risk transfer arrangements		6 904 650	311 943	–	7 216 593
– Direct claims for the period	1	6 904 650	311 943	–	7 216 593
Total claims paid for by related risk transfer arrangements		6 904 650	311 943	–	7 216 593

PLATINUM HEALTH MEDICAL SCHEME

DETAILED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

2020	Note	Plat Comprehensive R	Plat Cap R	Plat Freedom R	Total R
AUDITED (Continued)					
Managed care – management services		(13 639 008)	(531 813)	(735 502)	(14 906 323)
Management fees		(1 910 732)	(86 044)	(103 959)	(2 100 735)
Administration expenses	1	(92 145 384)	(4 149 477)	(5 013 466)	(101 308 327)
Own facility surplus		6 632 157	298 658	360 844	7 291 659
Net impairment losses	1	(2 451 099)	(110 377)	(133 360)	(2 694 836)
Bargain purchase gain		4 496 685	202 494	–	4 699 179
Investment income	2	31 532 634	2 698 646	1 432 131	35 663 411
Fair value adjustment	2	(19 562 078)	(1 674 175)	(888 459)	(22 124 712)
Impairment loss recovery		115 192	5 221	6 291	126 704
Finance costs	Actual	(3 036 045)	(136 719)	(55 333)	(3 228 097)
Proceeds on sale of assets		9 659	435	526	10 620
Sundry expenses		(2 746)	(124)	–	(2 870)
Taxation		(288 740)	(13 003)	–	(301 743)
Other income		1 159 633	52 220	63 093	1 274 946
Net surplus for the year		100 299 624	12 666 861	17 117 104	130 083 589
Strength		84 230	3 450	4 575	92 255

(2020: Number of beneficiaries at year end)

Note

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

PLATINUM HEALTH MEDICAL SCHEME

DETAILED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION
FOR THE YEAR ENDED 31 DECEMBER 2020

2019
AUDITED

	Note	Plat Comprehensive R	Plat Cap R	Plat Freedom R	Total 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 12)	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		7 440 243	368 295	–	7 808 538
– Direct claims for the period	1	7 440 243	368 295	–	7 808 538

PLATINUM HEALTH MEDICAL SCHEME

DETAILED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

	Note	Plat Comprehensive R	Plat Cap R	Plat Freedom R	Total R
2019					
AUDITED (Continued)					
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	(1 383 167)	(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	9 450 548	5 159 841	39 849 047
Strength		80 289	3 936	4 499	88 724

(2019: Number of beneficiaries at year end)

Note

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

