Platinum Health Medical Scheme

Section 63 Exposition

Submission 2019

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PLATINUM
HEALTH

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29 November 2019

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Dear Doctor

EXPOSITION PAPER SUBMISSION FOR RAG GILBERT PHARMACIES PURCHASE BY PLATINUM HEALTH MEDICAL SCHEME

Platinum Health Medical Scheme (PHMS) operates a staff model Health Maintenance Organization (HMO) whereby health services are provided to members of the scheme through an integrated service delivery model. RA Gilbert (Pty) Ltd (RAG) is an indirect wholly owned subsidiary of Anglo-American Platinum Limited (AAP) that operates six pharmacies.

Although RAG is an indirect wholly owned subsidiary of AAP, RAG since the inception of PHMS has been managed by PHMS management as part of the HMO model. In 2017 AAP took a decision to dispose-off non-core assets (RAG) as part of a revised healthcare strategy and to ensure the sustainability of PHMS going forward. AAP agreed to sell RAG at net asset value to PHMS. An agreement to this effect has been reached and the Competition Commission has given unconditional approval.

In terms of Medical Schemes Act, Section 63, it is required that this transaction complies with this section and an exposition be submitted to the Registrar for consideration and approval. Attached to this letter is the Exposition paper in terms of Section 63 for your consideration and approval.

Should there be any clarification required regarding the contents if the attached exposition, please do not hesitate to contact the writer by email at welcome.mboniso@platinumhealth.co.za

Yours Sincerely

P.W. Mboniso
Principal Officer

CC. Mr. Paresh Prema, Ms. Tebogo Maziya and Ms. Mpho Sehloho

EXPOSITION OF THE TRANSACTION CONCERNING PLATMED PROPRIETARY LIMITED AND PLATINUM HEALTH MEDICAL SCHEME IN TERMS OF SECTION 63 OF THE MEDICAL SCHEMES ACT NO. 131 OF 1998

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1. **INTRODUCTION AND EXECUTIVE SUMMARY**

1.1. This document relates to the proposed purchase by Platinum Health Medical Scheme ("**PHMS**") of the entire share capital ("**Shares**") of RA Gilbert Proprietary Limited ("**RAG**"), currently held by Platmed Proprietary Limited ("**Platmed**") (hereafter, the purchase is referred to as the "**Transaction**"). The particulars of the Transaction are elaborated on more fully below.

1.2. Section 63(2) of the Medical Schemes Act No. 131 of 1998 ("**MSA**") requires, amongst other things, that in relation to:

1.2.1. a transaction involving the amalgamation of the business of a medical scheme with any business of any other person (irrespective of whether that other person is or is not a medical scheme); or

1.2.2. the transfer of any business from a medical scheme to any other medical scheme or the transfer of any business from any other person to a medical scheme,

the medical scheme in question must deliver to the Registrar a copy of the exposition of the proposed transaction, including a copy of every actuarial or other statement considered for the purpose of the proposed transaction.

1.3. This exposition document includes the following annexures:

1.3.1. **Annexure A** (*Insight Actuaries and Consultants Impact Analysis*);

1.3.2. **Annexure B** (*Merchantec Capital valuation of RAG*);

1.3.3. **Annexure C** (*Competition Commission Merger Clearance Certificate*);

1.3.4. **Annexure D** (*Special General Meeting, Papers and Minutes*);

1.3.5. **Annexure E** (*Agreements*);

1.3.6. **Annexure F** (*Audited Financial Statements for the Period 31st December 2018)*;

1.3.7. **Annexure G** (*Transaction Organogram*).

1.4. Summary of the proposed Transaction

1.4.1. By way of background, the Transaction is being proposed in light of a decision by Anglo American Platinum Limited ("**AAP**") to dispose of non-core assets and only assume responsibility for Work Based Health Services (**"WBHS"**) (Occupational Healthcare, Rehabilitation and Functional Assessment, Trauma and Emergency Services as well as Wellness) at AAP managed operations.

1.4.2. To ensure the sustainability of PHMS, AAP have agreed that:

1.4.2.1. PHMS purchase the Shares currently held by Platmed in RAG. For the avoidance of doubt, RAG is the entity owning pharmacies that services PHMS members (70% of RAG turnover), Impala Mine Medical Services (25% of RAG turnover), Platmed (5% of RAG turnover); and

1.4.2.2. PHMS continue providing WBHS at all non-AAP managed operations namely Royal Bafokeng Platinum Mine, Siyanda Bakgatla Platinum Mine, Northam Platinum – Zondereinde and Eland operations and Modikwa Platinum Mine.

1.4.3. It is noted that the Executive Committee of AAP has approved the sale of the Share to PHMS at nett asset value, as determined by the auditors of RAG. It has been agreed between the parties that purchase of the Shares will approximate R3million. We refer you to **Annexure E** (*Agreements*) for further detail about the terms and conditions on which the proposed Transaction shall take place, **Annexure B** (*Merchantec Capital Valuation of RAG*) for further details of the valuation of RAG, as well as, **Annexure A** (*Insight Actuaries and Consultants Impact Analysis*) for details pertaining to the actuarial estimate of the potential impact of RAG on PHMS medication expenditure.

1.5. Background and objective of the proposed Transaction

1.5.1. Since the inception of PHMS in 2001 it has operated as part of the Platinum Health Staff Model Health Maintenance Organization ("**HMO**") and was able to carry out and provide health services in an integrated manner as a consequence of it being part of the Platinum Health HMO, which Group is committed to the staff Health Maintenance Organization ("**HMO**") model principles.

1.5.2. The Platinum Health HMO comprised of the following:

1.5.2.1. PHMS;

1.5.2.2. Platmed; and

1.5.2.3. RAG.

1.5.3. Platmed is a wholly-owned subsidiary of AAP. RAG is a wholly-owned subsidiary of Platmed, and therefore both are controlled by AAP. It should be noted that although Platmed and RAG are wholly-owned subsidiaries of AAP, PHMS management have since 2001 been responsible for the management (operational, financials and human resources) of both these entities. With effect from 1 January 2018 AAP has taken over the management control of Platmed which now provides WBHS to AAP operations only, whilst PHMS management continue to be responsible for the management of RAG.

1.5.4. Platmed was established for the purpose of providing WBHS, which include occupational healthcare, trauma and emergency medical services, rehabilitation and Functional Assessment and Wellness to the AAP employees.

1.5.5. RAG is a community pharmacy company that currently operates 6 (six) pharmacies, which are located in close proximity to where the members of PHMS typically work or reside. These pharmacies provide the bulk of the pharmaceutical products required by the members of PHMS. The pharmacists and pharmacist assistants based in these pharmacies are employed by RAG directly. At present, the pharmacies that are currently operated by RAG are at the following locations:

1.5.5.1. Platinum Pharmacy, located at the Platinum Health Medical Centre, in Rustenburg;

1.5.5.2. the Impala Pharmacy, which is located at the Impala Platinum Mine, near Phokeng;

1.5.5.3. Union Pharmacy, located at the Siyanda Bakgatla Platinum Mine (Union Mine), near Northam;

1.5.5.4. Chromite Pharmacy, located at the Amandelbult Hospital, at the Tumela Mine, between Northam and Thabazimbi;

1.5.5.5. Bosveld Pharmacy, located at the Thabazimbi Medical Centre, in Thabazimbi; and

1.5.5.6. Iridium Pharmacy, located at Platinum Health Burgersfort Medical Centre, in Burgersfort.

1.5.6. Most of the pharmacies are on mine premises, with restricted security access, and are located in rural areas, 20-50km from the nearest town. The RAG pharmacies ensure accessibility for PHMS members which are resident at or in close proximity of the mines.

1.5.7. A consequence of AAP's decision to restructure operations is the redundancy of the pharmaceutical services provided through RAG. As such and as mentioned above, AAP has taken a decision to sell the Shares in RAG to PHMS at nett book value, which will be approximately R3m.

1.5.8. As is evident from the aforesaid, the integrated services delivery model is essential to the maintenance of PHMS' ability to provide affordable and accessible health services to its members, whilst ensuring that its expenditure levels maintain the statutory solvency requirements. The ability for PHMS to rely on RAG for medication is a significant contributor to PHMS' costs and ultimately to the value for money enjoyed by its members.

1.5.9. With regard to the objective of the Transaction, it is PHMS' objective to acquire the Shares and that in turn would permit PHMS to continue providing integrated health services to its members without compromising its commitment to ensuring the provision of health services on an equitable, efficient, sustainable and affordable basis.

1.5.10. As it will be elaborated further, in brief hereunder and elsewhere in this document, PHMS is concerned that should the Transaction not be confirmed by the Registrar, it will no longer be able to provide accessible, cost-effective and integrated health services to its members and that the cost savings attributable to the existing integrated service delivery model, and the benefits thereof to its members and its ability to remain sustainable will no longer be possible if members are forced to use health facilities that charge fees on a fee-for-service basis and pharmacies that operate in the open market. The effect thereof being, not only increased expenditure levels of PHMS and increased contribution rates, but an inability for PHMS to ensure that members are able to access the health services which they currently enjoy.

2. MEDICAL SCHEME SUMMARY

2.1. Background information of PHMS

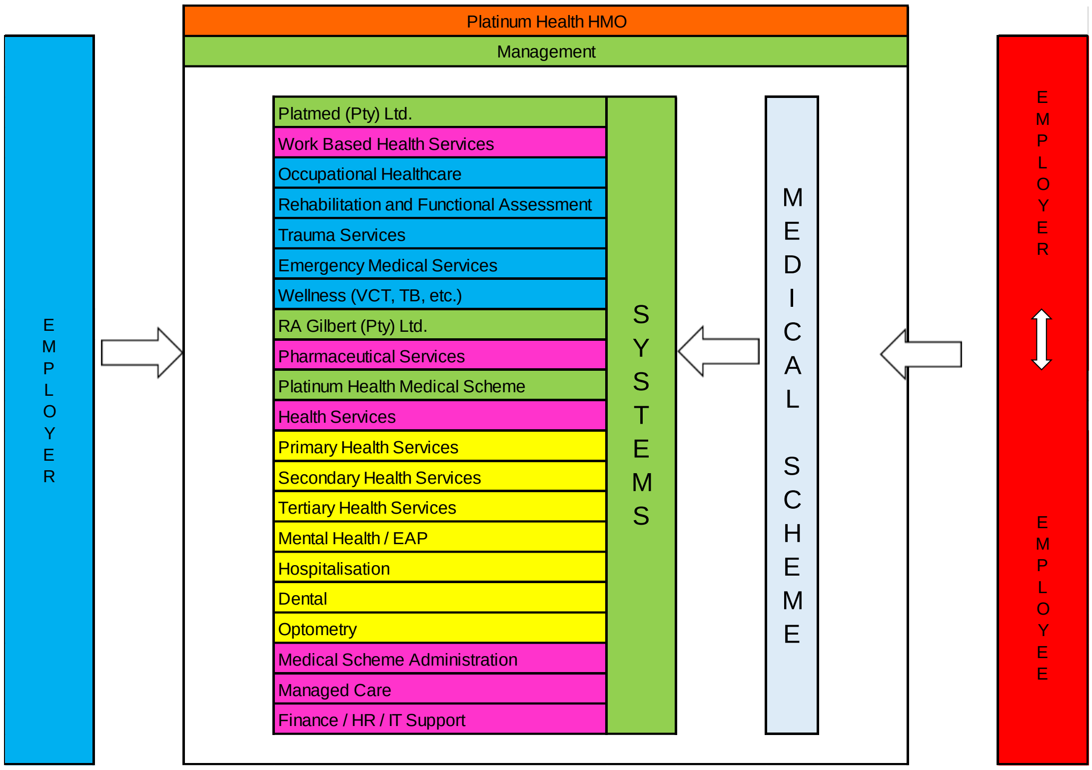
2.1.1. PHMS is a restricted membership medical scheme whose membership was, until 2011, limited to employees and former employees of AAP, AAP associated organisations and joint ventures. In 2011, PHMS amended its rules to extend eligibility for membership to employees of companies and associate companies operating in the Platinum Group Metals and Chrome Mining Industries. Presently PHMS has 50 000members.

2.1.2. PHMS was established and registered in 2001 to address *inter alia* inequities in the accessibility of health services between senior AAP employees (Patterson Grade B4 and above) and junior AAP employees (Patterson Grade A - B3). Prior to its establishment, senior employees belonged to medical schemes, and could as a result access private health services; whereas junior employees did not belong to medical schemes and were therefore only able to access comprehensive health services through mine hospitals and clinics. The concern was that these junior employees could not access private healthcare (both curative and emergency care) outside of mine facilities, dependents could not join medical schemes and junior employees had no benefits after retirement because they did not belong to medical schemes. At the time, medical schemes had become unaffordable following average contribution increases of 21% (twenty-one percent) in the period 1998 to 2000. As such, a decision was taken to establish PHMS to address the aforesaid concerns

2.1.3. The mine hospital system had proven, over many years, to be a very efficient service delivery model, both with regards to appropriate, quality healthcare as well as cost efficiency. It was therefore decided that this delivery model would form the basis for service delivery to members of PHMS. To this end, AAP agreed in 2000 to invest R120 million in facilities, infrastructure, equipment and systems for the provision of health services. Facilities were upgraded to world class standards and expanded to cater for dependants.

2.1.4. To fully benefit from the efficiencies (cost and otherwise) of the mine service delivery model, and to accommodate the needs of beneficiaries in the mining industry it was decided by PHMS, to establish the Platinum Health Staff Model HMO where the HMO delivery system would be implemented and used as part of its business model. This model integrates and builds on the unique structure of providing healthcare in the mining industry and the operations of the Platinum Health Group, including the health services rendered by, the administration and management of, and funding of PHMS, Platmed and RAG. This model is illustrated in the diagram set out below:

PLATINUM HEALTH GROUP INTEGRATED HEALTH CARE MODEL



2.1.5. The above diagram shows employer and employees (red) as funders of the medical scheme benefits on the right-hand side (employees receive a medical scheme subsidy). In this regard, "employer" refers to Anglo American Platinum Limited, Siyanda Bakgatla Platinum Limited, Royal Bafokeng Platinum Limited, Northam Platinum Limited and Modikwa and Two Rivers Platinum Mines which are joint ventures managed by African Rainbow Minerals, who are participating employers in the medical scheme.

2.1.6. PHMS plays a central role in ensuring high quality, accessible and affordable health care to its members. In this regard, the following is highlighted:

2.1.6.1. PHMS provides health services to the funders (employers and members). General practitioners, trauma and emergency services, wellness, mental health/employee assistance programme (EAP) are provided to both employees (funded by employers) as well as medical scheme members;

2.1.6.2. PHMS is self-administered and managed care is also managed in-house. As a restricted medical scheme, no broker fees are paid. As a result, non-healthcare expenditure is amongst the lowest in the industry, thus optimising efficiencies to ensure affordable contributions;

2.1.6.3. PHMS offers a comprehensive *Wellness Programme* for the management of, amongst other conditions, HIV/AIDS, which is in line with the South African HIV

Clinician Society Guidelines, and by doing so, fulfils a critical role in the community. By way of further background, the following is highlighted:

2.1.6.3.1. the HIV/AIDS prevalence rate in the mining industry is estimated to be 22-25%% (twenty-two to twenty five percent) and it is therefore of utmost importance to promote the testing and treatment of patients affected by HIV/AIDS;

2.1.6.3.2. in this regard, once a patient has been tested HIV positive, he/she is enrolled on the *Wellness Programme* and the appropriate counselling session is scheduled with the patient. If the patient agrees, anti-retroviral treatment("**ART**") commences.

2.1.6.3.3. it is important to note that the healthcare practitioners involved in the *Wellness Programme* review all patients in the doctors consulting rooms, outpatient department, wards as well as at the casualty department; and

2.1.6.3.4. there is strong focus on patient education, which addresses patients defaulting on ART.

2.1.6.3.5. It is anticipated that by end 2019 more than 90% of employees/members will know their HIV status due to extensive VCT campaigns conducted by both employers as well as PHMS. It is expected that 87% of members who are HIV+ will be on treatment and that 81% of the HIV+ patients on treatment will be viral load suppressed. There are presently more than 12500 beneficiaries on ART.

2.1.7. RAG provides pharmaceutical services, including medicine, provision of surgical supplies as well as HIV and pregnancy test kits for WBHS and medical scheme members. RAG therefore compliments the efforts of PHMS and Platmed to ensure affordable access to medicines.

2.1.8. The healthcare structure established in the mining sector employs all necessary health professionals (general practitioners, dentists, psychologists, oral hygienist, radiographers, physiotherapists, optometrists, occupational therapists, primary health professional nurses, dental assistants and social workers to provide a comprehensive set of healthcare benefits. Where it is not economically viable to provide specialised health services (e.g. neurosurgery, cardiac surgery), they are obtained from appointed designated service providers.

2.1.9. Through the employment of health professionals on a full-time basis, the following outcomes are achieved:

2.1.9.1. removal of perverse incentives of health professionals;

2.1.9.2. over-servicing of medical scheme beneficiaries;

2.1.9.3. a cost profile that does not inhibit access;

2.1.9.4. the ability to manage large volumes of patients and maintain quality;

2.1.9.5. integrated health interventions; and

2.1.9.6. management control of professional standards and support services.

2.1.10. The "*fee-for-service*" type of funding practised in the private sector creates the possibility of perverse incentivisation – i.e. utilising healthcare to maximise income/profit.

2.1.11. The PHMS receives income *via* the following mechanisms:

2.1.11.1. medical scheme member contributions; and

2.1.11.2. capitation fees from employers in respect of WBHS.

2.1.12. As such, PHMS has a cost profile which is significantly below that of the private sector, which benefits its members.

2.2. Membership profile per option

The following table contains a profile of the PHMS membership profile per option offered by PHMS as at 31st July 2019:

As at 31st July 2019	**Total Across PHMS**	**Plat Cap**	**Plat Comprehensive**	**Plat Freedom**
Membership				
Main Members	50467	3796	45384	1287
Beneficiaries	35785	235	32399	3151
Pensioner Ratio (65+)	1.6%			

Average Beneficiary Age	41.39	42.46	41.69	40.02

Membership per income categories applicable to the respective options

Plat Cap

Salary	**R0 – R8 430**	**R8431 – R13 865**	**R13 866+**
Principal Member	1760	1988	48
Beneficiaries	114	106	15

Plat Comprehensive

Salary	**R0 – R14 000**	**R14 001 – R21 495**	**R21 496+**
Principal Member	30758	5795	8831
Beneficiaries	13189	5524	13686

Plat Freedom

Salary	**R0 – R10 705**	**R10 706 - R15 970**	**R15 971 - R21 998**	**R21 999 - R44 728**	**R44729+**
Principal Member	643	396	10	208	30
Beneficiaries	1429	1107	14	528	73

Note: It is important to note that 70% of all Platinum Health members earn less than R14000 per month and therefore affordability and accessibility are key considerations.

2.2.1. The Plat Cap option is a typical entry level option. Prescribed minimum benefits, as required by the MSA, are covered in full. The option has specific limits and members become responsible for medical expenses once their annual benefit limits have been reached. Medication is covered for both in-and-out of hospital, and chronic medication is covered subject to the Plat Cap option formulary. Unlimited cover at 100% of the PHMS' tariff is offered for hospitalisation at designated service providers (a R52 850 per family per annum limit applies to physical rehabilitation). Cover in respect of conservative and emergency dentistry is unlimited and covered in full (up to the scheme's tariff). Full cover is offered, up to PHMS' tariff limits, on optometry services, subject to a combined limit over a two-year period of R1,150 per beneficiary, limited to one set of spectacles per beneficiary, every two years from anniversary of claiming per beneficiary, up to the benefit limit.

2.2.2. The most comprehensive option offered by PHMS is the Plat Comprehensive plan. This option provides unlimited general practitioner, specialists, hospitalisation, prosthesis, specialised radiology, pathology, acute and chronic medicine (83 chronic medical conditions are covered), emergency medical services, blood transfusion, oncology renal dialysis and conservative and emergency dentistry benefits. In all instances designated service providers (full-time employed or contracted) need to be utilised unless healthcare services are involuntary obtained. PHMS offers 100% cover (subject to PHMS' tariff) in respect of optometry services, subject to a combined limit over a two-year period of R2,220 per beneficiary, one set of spectacles or range of contact lenses per beneficiary, every two years from the anniversary of claiming per beneficiary, up to the benefit limit.

2.2.3. *The Plat Freedom Option is a freedom of choice option with set limits across the benefits ranges.* Prescribed minimum benefits, as required by the MSA, are covered in full. Medication is covered for both in-and-out of hospital, and chronic medication is covered subject to the Plat Freedom option formulary. An overall annual limit of R1million applies.

2.2.4. For a full summary of the above options offered by PHMS as at 2019, please consult the PHMS website at https://platinumhealth.co.za/our-options/

2.3. Financial Position of Platinum Health Medical Schemes

2.3.1. The actual financial results of PHMS as at 31st December 2018 are as follows:

	31st December 2018 Annual Financial Statements	
	Total (R' million)	**Per member per month (R)**
Operational Surplus	R128m	R172
Net Surplus/Deficit	R50m	R67
Accumulated Funds	R416m	R560
Solvency Ratio	29%	

2.4. The total reserves at 31st December 2018 were R416m of which R367m were accumulated funds and the balance unrealised gains.

2.5. To the extent that the Transaction is not approved the following represents a forecast of the financial position of PHMS for the financial year 2019:

	2019 full year projection	2019 year-end projection assuming industry experience at RA Gilbert	
	Status quo	Additional claims are funded through reserves	Additional claims are funded through extra 12.8% contribution increase
Average members during period	50 485	50 485	50 485
Net contribution income	1 295 371 804	1 295 371 804	1 461 156 031
Incurred claims	-994 558 782	-1 160 343 009	-1 160 343 009
Risk transfer arrangement	-1 645 515	-1 645 515	-1 645 515
Own facility expenditure	-208 207 680	-208 207 680	-208 207 680
Managed healthcare services	-1 048 274	-1 048 274	-1 048 274
Gross underwriting result	**89 911 552**	**-75 872 675**	**89 911 552**
Non-healthcare expenditure	-100 491 828	-100 491 828	-100 491 828
Surplus/(Deficit) from operations	**-10 580 275**	**-176 364 503**	**-10 580 275**
Investment income	25 151 037	25 151 037	25 151 037
Own facility profit	11 040 534	11 040 534	11 040 534
Net surplus/(deficit) for the period	**25 611 295**	**-140 172 932**	**25 611 295**
Accumulated funds (end of period)	442 022 337	276 238 110	442 022 337
Unrealised gains (end of period)	-22 131 745	-22 131 745	-22 131 745
Accumulated funds per Regulation 29	419 890 592	254 106 365	419 890 592
Solvency margin	**32.4%**	**19.6%**	**28.7%**

2.6. Should the Transaction not be approved PHMS will experience an increase in expenditure of approximately R165 m per annum. This will require a contribution increase of 12.7% in order to maintain profitability. Due to increased gross contribution income, the solvency is expected to decrease by 3.7% to 28.7%. See **Annexure A** (*Insight Actuaries and Consultants Impact Analysis*) for the actuarial estimate of the potential impact of RAG on PHMS medication expenditure.

2.7. Merchantec Capital Valuation were appointed by PHMS to do a valuation of RAG. Various methodologies were applied to determine the fair value for RAG, and a price of between R2.6m and R3m has been recommended. See **Annexure B** (*Merchantec Capital valuation of RAG*) for details pertaining to the valuation of RAG.

2.8. On 14 November 2017 PHMS applied to the Competition Commission for merger approval in accordance with Chapter 3 of the Competition Act. On 19 December 2017 the Competition Commission gave unconditional approval of the merger between PHMS and RAG in terms of section 14 (1) (b) of the Act. See attached **Annexures C** (*Competition Commission Merger Clearance Certificate*)

2.9. Financial Position Pre and Post acquisition:

<table>
<tr>
<td>
Financial Position of the Scheme before and after the proposed purchase transaction:

Solvency Ratio
Asset value per class
Liabilities
Members Funds

</td>
<td>
For comparative purposes, the impact of the proposed transaction was modelled on the 2018 audited figures.
<table>
<tr><th></th><th>Pre-Purchase 2018 Audited R’000</th><th>Post – Purchase R’000</th></tr>
<tr><td>Solvency</td><td>29%*</td><td>29%*</td></tr>
<tr><td>Assets</td><td>621 765</td><td>675 847</td></tr>
<tr><td>Fixed Assets</td><td>8 664</td><td>8 990</td></tr>
<tr><td>Deferred Taxation</td><td>-</td><td>1 922</td></tr>
<tr><td>Trade and Other Receivables</td><td>53 385</td><td>75 634</td></tr>
<tr><td>Pharmaceutical Inventories</td><td>348</td><td>13 115**</td></tr>
<tr><td>Investments held at fair value through surplus or deficit</td><td>325 214</td><td>325 214</td></tr>
<tr><td>Intercompany Receivables</td><td>-</td><td>18 924 (net amount receivable)</td></tr>
<tr><td>Tax Receivable</td><td>-</td><td>433</td></tr>
<tr><td>Prepaid Insurance</td><td>-</td><td>22</td></tr>
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</td>
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</table>

	Cash and cash equivalents	234 154	231 593 (purchase price deducted)
	Liabilities	**205 354**	**259 010**
	Non-current liabilities	19 785	**19 785**
	Current Liabilities	185 569	**239 225**
	Members Funds	**416 411**	**416 837**
	*Solvency at the 31st December 2019 is projected to be at 32.5%. ** As a result of the closure of certain pharmacies due to the Sibanye termination as a participating employer and significantly, improved stock control, the inventory level as at the 31st October 2019 has reduced by +/-R7m.		

2.10. In light of the above and in order to preserve the level of benefits that members currently enjoy at an affordable cost, the trustees of PHMS have, pending final approval by the Registrar, decided to pursue the Transaction.

2.11. Members of the PHMS, at a Special General Meeting held on 26 October 2018, unanimously approved the Transaction. The results were as follows:

Members present 43

Proxies 49

Total 92

92 votes in favour of the acquisition of RAG by PHMS, 0 votes against.

The total percentage in favour of the acquisition **100%.**

See attached **Annexure D** (*Special General Meeting, Papers and Minutes*) for detail pertaining to the Notice of the Special General Meeting, the note sent to members in respect of the acquisition of RAG and the Minutes of the Special General Meeting.

2.12. Details of administrator/ accredited managed healthcare providers and/ related parties

2.12.1. The table below sets out relevant details of the suppliers of PHMS:

Medical Scheme	PHMS
Administrator	Managed in-house
Managed Healthcare Provider	Managed in-house
Actuarial Services	Insight Actuaries and Consultants
Investment Management	Allan Gray
Auditors	Ernst and Young

2.13. The board of trustees of PHMS is as follows:

Trustee	Disclosed Conflicts of Interest in any managed health care provider and/or its related parties
Roets, Liesl	None declared
Mbekeni, Charles	None declared
Jacobs, Jeremy	None declared
McDonald, Darren	None declared
Krause, Paul	None declared
Smith, Colin	None declared
Noko, Danny Molao	None declared
Pheto, Samuel Senoelo	None declared
Kokohlabang, Khomotso	None declared
Makou, Abel	None declared
Mungai, Edwin	None declared
Molefe, Biotshoko	None declared
Malamula, Percy	None declared
Maimele, Philemon	None declared

3. STRATEGY AND IMPLEMENTATION

3.1. SWOT analysis of the Transaction

PHMS will be affected by the Transaction in different ways. The advantages and disadvantages of the transaction are summarised below:

3.1.1. Strengths and opportunities

3.1.1.1. The Transaction provides an opportunity for PHMS to continue providing integrated services to its members at affordable rates through the Staff Model HMO;

3.1.1.2. pharmaceuticals will continue to be made available to members from RAG facilities, which facilities are easily accessible to the members of PHMS due to the areas we service are mining and rural towns;

3.1.1.3. average medication spent per beneficiary is 22% lower than the industry, notwithstanding the fact that there are no limits wrt acute or chronic medicine benefits and the fact that chronic medicine prevalence rate for HIV is four time higher that the industry;

3.1.1.4. higher generic utilization with 70% vs industry at 60%;

3.1.1.5. higher generic substation rate of 94% vs industry of 86%;

3.1.1.6. lower mark-up of 11% vs market average of 26%;

3.1.1.7. assistance with implementation of scheme medicine formulary and ensure that very few prescriptions fall outside of the formulary;

3.1.2. Weaknesses and threats

3.1.2.1. Should the Transaction not be approved, PHMS can no longer ensure the following:

3.1.2.1.1. Maintain contribution levels well below open market levels;

3.1.2.1.2. Accessibility of facilities;

3.1.2.1.3. Maintenance of low cost medication;

3.1.2.1.4. Achievement of cost efficient dispensing; and

3.1.2.1.5. Potential synergies that maybe created with this transaction.

4. **APPLICATION FOR PURCHASE IN TERMS OF THE MSA**

4.1. Regulation 30(1) of the MSA Regulations provides as follows:

> "*A medical scheme must have assets of the kinds and categories specified in column 2 of Annexure B, the aggregate fair value of which, on any day, is not less than —*
>
> *(a) the aggregate of the aggregate fair value on that day of its liabilities; and*
>
> *(b) the minimum accumulated funds to be maintained in terms of Regulation 29 [which is 25% (twenty-five percent)],*
>
> *excluding accounts receivable and intangible assets.*"

4.2. Additionally, in terms of regulation 30(2), the assets that a medical scheme is required to have in terms of regulation 30(1), when expressed as a percentage of the aggregate fair value of the liabilities and the minimum accumulated funds to be maintained in terms of regulation 29, must not exceed the percentage specified against it in column 3 of Annexure B.

4.3. In terms of Annexure B to the MSA Regulations, the asset category of "*unlisted shares*" (being the shares in RAG) is subject to a maximum percentage of 2,5% of the aggregate fair value of liabilities and the minimum accumulated funds to be maintained in terms of regulation 29 of the MSA Regulations.

4.4. With regard to the fair value of the RAG shares, regulation 3(4) defines "*fair value*" as "*in relation to … any other asset or liability, means the price at which the asset could be exchanged, or the liability settled, between knowledgeable, willing parties in an arm's length transaction, as estimated by the medical scheme*". Regulation 30(6) provides further guidelines regarding the calculation of the fair value of assets, which valuation must be to the satisfaction of the Registrar.

4.5. PHMS is forecast to make a surplus of R25.6m for 2019. The reserves and (i.e. aggregate fair value of the assets) held by PHMS is expected to amount to R420m and the solvency rate (i.e. the minimum accumulated funds to be maintained in terms of regulation 29) is expected to be 32.4%.

4.6. The value of the Shares, on the basis of an arm's length transaction, will not exceed the 2,5% limit provided for in terms of Annexure B to the MSA Regulations.

5. CONCLUDING REMARKS

5.1. We thank the Registrar for providing us with the opportunity to make submissions in support of the approval of the Transaction and look forward to your response.

Annexure A

INSIGHT ACTUARIES AND CONSULTANTS IMPACT ANALYSIS

Attached the actuarial estimate of the potential impact of RAG on PHMS medication expenditure

INSIGHT ACTUARIES & CONSULTANTS

Actuarial estimate of the potential impact of RA Gilbert on Platinum Health's medication expenditure

Version 1.1

November 2019

PLATINUM HEALTH

Table of Contents

1 Introduction

Platinum Health Medical Scheme ("PHMS"/"the Scheme") is a not-for-profit Medical Scheme registered in terms of the Medical Schemes Act 131 of 1998, as amended (the "Act").

PHMS presently makes use of the RA Gilbert pharmacies for the dispensing of most of its acute and chronic medication. RA Gilbert is utilised to dispense medication on an efficient basis, for example by maintaining high levels of generic utilisation.

PHMS is in the process of purchasing RA Gilbert to ensure that the scheme can sustainably and reliably dispense medication through RA Gilbert's facilities into the future.

In order to confirm the underlying rationale of the intended transaction, PHMS requested Insight to estimate the financial impact should PHMS cease to make use of RA Gilbert and pay for medication dispensed by private pharmacies instead. It is anticipated that medication expenditure could increase in such a scenario, mainly due to higher dispensing fees and lower rates of generic substation that is generally observed in private sector pharmacies. Higher medication expenditure would, in turn, impact on Scheme's financial experience negatively.

Given this context, Insight Actuaries and Consultants ("Insight") has been requested by PHMS to prepare an actuarial analysis on the potential impact should RA Gilbert's medication expenditure be replaced by private pharmacy medicine utilisation and expenditure patterns.

1.1 Addressee

This report has been prepared for, and is addressed to, the Board of Trustees of Platinum Health Medical Scheme. The report anticipates that the reader is familiar with the medical scheme and the general environment within which it operates. Third parties are reminded that they may not have all the information necessary for a full understanding of the report. Should this report be made available to third parties, it may only be made available in an unabridged format and with prior written consent of Insight. Furthermore, third parties are reminded that our primary responsibility is to the addressee.

1.2 Purpose of the report

The purpose of this report is to consider the potential financial impact should PHMS cease to make use of RA Gilbert for the purpose of dispensing medication.

1.3 Confidentiality

This report has been prepared whilst maintaining confidentiality of the information provided, the analyses performed, and the conclusions drawn.

1.4 Declaration of interest

Insight Actuaries and Consultants is an independent consulting company with no financial interest in the operations of Platinum Health Medical Scheme, any of its service providers or the participating employers.

1.5 Limitation of liability

Insight does not accept any liability to any person other than the addressee in connection with this report or its related enquiries. We accept no liability in respect of any matter outside the scope and limitation of this report and the purpose for which it was prepared, as stated in Section 1.2.

The information contained in this report and all other documentation referred to in this report are confidential.

1.6 Version history

Version	Date	Description
1.0	18 November 2019	First draft of the report for discussion purposes.
1.1	19 November 2019	Release version after consideration of management comments

2 Methodology

RA Gilbert has facilities in the Rustenburg, Thabazimbi, Burgersfort and surrounding areas. Through these facilities, approximately two thirds of medicine expenditure incurred by PHMS is through RA Gilbert.

In order to estimate the costs of acute and chronic medication expenditure in a conventional pharmacy delivery environment, we compared PHMS's medication claims to claims incurred by other medical schemes offering similar benefits to PHMS, using private pharmacies, on a risk-adjusted basis.

3 Results

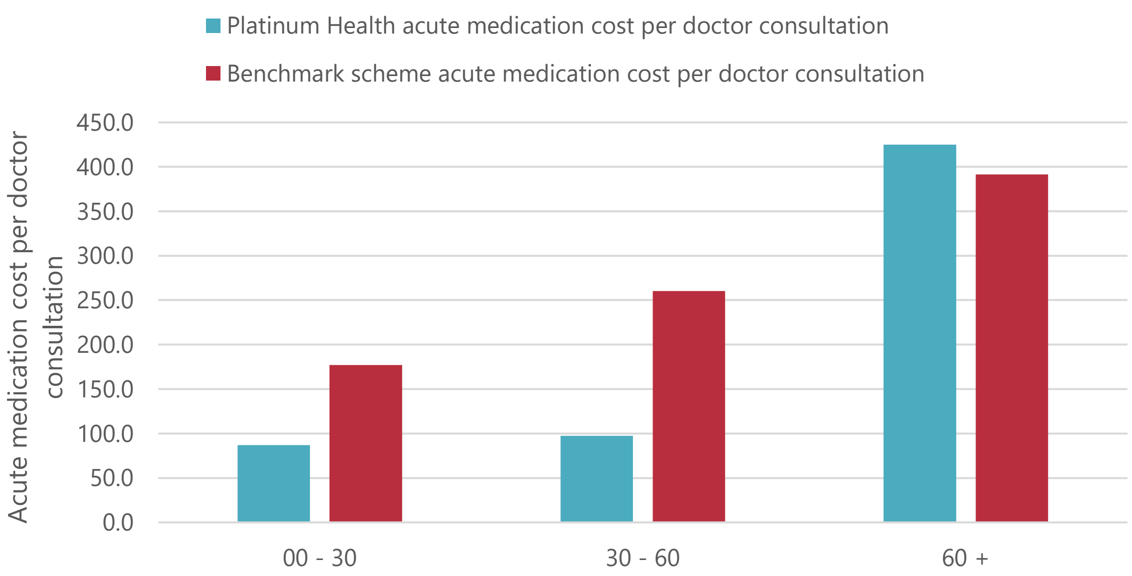
3.1 Acute medication

The table below compares PHMS's acute medication expenditure, which heavily relies on RA Gilbert as its primary dispensing pharmacy, to that of acute medication expenditure estimated to be incurred in other medical schemes with similar benefits. The analysis is risk-adjusted for age.

Table 1 – Acute medication in Platinum Health vs comparable schemes

Beneficiary age	PHMS acute medication cost per doctor consultation (including RA Gilbert)	Benchmark scheme acute medication cost per doctor consultation
00 - 30	86.8	177.0
30 - 60	97.3	260.2
60 +	425.0	391.4

Figure 1 – Acute medication for PHMS vs comparable schemes



We observe that for younger members, PHMS is significantly more efficient in the delivery of acute medication. This observation is less pronounced for older members, most likely because some older (retired) members do not live in close proximity to RA Gilbert facilities and would make use of private pharmacies instead.

Based on the above figures, we estimate the total impact of not using RA Gilbert would serve to increase annual acute medication spend for PHMS by approximately R114 million per year.

Table 2 – Cumulative impact of ceasing to make use of RA Gilbert for acute medication (2019 full year money terms)

	Acute medication claims
PHMS	94 932 543
Benchmark schemes	209 912 549
Difference	**114 980 006**

3.2 Chronic medication

For chronic medication, we analysed total expenditure per Chronic Disease List ("CDL") condition for PHMS. This was then compared to the estimated similar cost that would be incurred for the same number of patients based on experience in similar medical schemes, on a risk-adjusted basis.

Table 3 – Chronic expenditure for PHMS vs benchmarked experience

CDL chronic condition	PHMS members using RA Gilbert	Benchmark schemes
Addison's Disease	3 516	2 254
Asthma	5 779 032	5 232 274
Bipolar Mood Disorder	1 802 342	2 733 209
Bronchiectasis	5 623	12 957
Cardiac Failure	122 316	139 602
Cardiomyopathy	35 985	75 390
Chronic Obstructive Pulmonary Disease	817 638	605 795
Chronic Renal Disease	1 153 079	2 970 699
Coronary Artery Disease	1 244 159	497 962
Crohn's Disease	90 089	506 641
Diabetes Insipidus	66 960	34 982
Diabetes Mellitus Type 1	821 173	1 241 865
Diabetes Mellitus Type 2	11 205 270	13 829 516
Dysrhythmias	33 503	31 814
Epilepsy	1 880 968	3 074 445
Glaucoma	931 618	923 448
Haemophilia	312 922	1 400 234
HIV	43 730 240	88 736 153
Hyperlipidaemia	3 756 145	3 914 749
Hypertension	27 072 984	20 686 862
Hypothyroidism	711 865	751 756
Multiple Sclerosis	994 496	3 022 650
Parkinson's Disease	179 376	290 150
Rheumatoid Arthritis	941 413	3 302 125
Schizophrenia	195 450	399 448
Systemic Lupus Erythematosus	124 729	173 201
Ulcerative Colitis	204 768	431 697
Total	**104 217 659**	**155 021 880**

We observe that total projected chronic expenditure would have been approximately R51 million higher in 2019. This cost arises due to the application of generic utilisation rates and dispensing fees typically observed in the private pharmacy environment.

4 Financial impact

The table below compares our current year-end projection for 2019 to the financial projection for PHMS should 2019 claims experience be re-simulated in the absence of RA Gilbert. This was estimated by substituting acute and chronic medication expenditure of PHMS by the figures determined above.

The first column shows our current projected financial results for 2019. The second column shows the financial projection (adjusted for higher medication claims) in 2019, if RA Gilbert's dispensing and generic utilisation experience is replaced by industry experience on a risk-adjusted basis.

The rightmost column shows the same results as the second column, but assuming that PHMS had a 20.7% contribution increase on 1 January 2019 (rather than the 7% contribution increase which the Scheme implemented for 2019).

Table 4 – Financial projections for 2019

	2019 full year projection	**2019 year-end projection assuming industry experience at RA Gilbert**	
	Status quo	Additional claims are funded through reserves	Additional claims are funded through extra 12.8% contribution increase
Average members during period	50 485	50 485	50 485
Net contribution income	1 295 371 804	1 295 371 804	1 461 156 031
Incurred claims	-994 558 782	-1 160 343 009	-1 160 343 009
Risk transfer arrangement	-1 645 515	-1 645 515	-1 645 515
Own facility expenditure	-208 207 680	-208 207 680	-208 207 680
Managed healthcare services	-1 048 274	-1 048 274	-1 048 274
Gross underwriting result	**89 911 552**	**-75 872 675**	**89 911 552**
Non-healthcare expenditure	-100 491 828	-100 491 828	-100 491 828
Surplus/(Deficit) from operations	**-10 580 275**	**-176 364 503**	**-10 580 275**
Investment income	25 151 037	25 151 037	25 151 037
Own facility profit	11 040 534	11 040 534	11 040 534
Net surplus/(deficit) for the period	**25 611 295**	**-140 172 932**	**25 611 295**
Accumulated funds (end of period)	442 022 337	276 238 110	442 022 337
Unrealised gains (end of period)	-22 131 745	-22 131 745	-22 131 745
Accumulated funds per Regulation 29	419 890 592	254 106 365	419 890 592
Solvency margin	**32.4%**	**19.6%**	**28.7%**

The table above illustrates that the financial impact of claims patterns changing due to a change in RA Gilbert experience, is reduced solvency and a need to implement higher contribution increases than would otherwise be the case.

5 Conclusion

Due to the combination of more favourable dispensing fees and higher generic substitution rates at RA Gilbert, PHMS saves a significant amount of medication expenditure on an annual basis.

Should PHMS cease to make use of RA Gilbert and instead experience claims utilisation patterns observed elsewhere in the industry, we estimate that annual claims expenditure would increase by approximately R165.8 million per year. This would dilute reserves from 32.4% to 19.6% in 2019 money terms.

The Scheme would have needed to apply a contribution increase of 20.7% on 1 January 2019 (which is 12.8% higher than the 7.0% that was implemented), in order to maintain its income statement performance in 2019 in the absence of RA Gilbert savings. Notwithstanding this, the increase in contributions in itself would dilute reserves from 32.4% to 28.7% as a result of the higher resultant contribution denominator used in the solvency ratio calculation.

We conclude that the financial benefits inherent in the delivery system that is in place through RA Gilbert is significant, and that it would be in the interest of the members of PHMS to if the scheme took steps to ensure it secures the availability of RA Gilbert as a service provider into the future.

Annexure B

MERCHANTEC CAPITAL VALUATION OF RAG

Attached valuation and methodology to determine a fair and reasonable purchase price for RAG

FINAL VALUATION REPORT FOR RA GILBERT PROPRIETARY LIMITED

AUGUST 2019

Contents

DEFINITIONS AND ABBREVIATIONS

CAPEX	CAPITAL EXPENDITURE
DCF	DISCOUNTED CASH FLOW
EFFECTIVE VALUATION DATE	1 AUGUST 2018
FYXX	FINANCIAL YEAR ENDED 31 DECEMBER
GP / GP%	GROSS PROFIT / GROSS PROFIT PERCENTAGE
IFRS	INTERNATIONAL FINANCIAL REPORTING STANDARDS
MANAGEMENT	MANAGEMENT OF RA GILBERT
N/A	NOT APPLICABLE OR NOT AVAILABLE
NAV	NET ASSET VALUE
NPV	NET PRESENT VALUE
PAT	PROFIT AFTER TAXATION
PBT	PROFIT BEFORE TAXATION
R	SOUTH AFRICAN RAND
RA GILBERT OR THE COMPANY	RA GILBERT PROPRIETARY LIMITED
THE SURVEY	PWC VALUATION METHODOLOGY SURVEY 2016/17
WACC	WEIGHTED AVERAGE COST OF CAPITAL
YTD	YEAR TO DATE

SUMMARY OF VALUATIONS

Platinum Health Medical Scheme (“Platinum Health”) is interested in acquiring RA Gilbert Proprietary Limited (“RA Gilbert”). The valuation of RA Gilbert was performed to estimate a fair value of the company for the purpose of negotiating the value at which the purchase should take place.

The valuation of RA Gilbert first involved understanding the business and the industry before employing three valuation approaches. The first approach used was a Discounted Cash Flow (“DCF”) Model to value the equity of the Company on a future cash flow basis. The valuation returned a range between R2,780,382 and R3,073,053.

Secondly, a P/E Multiple Approach was used to value the equity of the Company. The P/E valuation returned a range between R2,311,749 and R2,555,091.

Given the nature of business of providing pharmaceutical products to its holding company and a restrictive medical scheme and will continue to do so at a small profit, we do not believe that a DCF or a P/E is that appropriate valuation metric. It would be more prudent to employ a third valuation metric. We believe a fair value should represent the NAV of R2,671,268 at the valuation date.

We trust the above meets with your approval and should you require any further information please do not hesitate to contact us.

Yours faithfully

Marcel Goncalves CA (SA)

Director

1 INTRODUCTION

1.1 Purpose of Valuation

Platinum Health Medical Scheme ("Platinum Health") is interested in acquiring RA Gilbert Proprietary Limited ("RA Gilbert"). The valuation of RA Gilbert was performed to estimate a fair value of the company for the purpose of negotiating the value at which that purchase should take place.

1.2 Background of RA Gilbert

The Company provides pharmaceutical products to the members of Platinum Health Medical Scheme and Platmed Proprietary Limited who are mainly employees of the Anglo American Platinum Group.

1.3 Historical and Forecast Financial Performance

The tables below depict the past four years' financial performance of revenue, gross profit, operating profit and profit after tax. The financial information for the years ending 31 December 2015, 2016, 2017 and 2018 was obtained from annual financial statements provided by management.

Revenue marginally increased in FY16 from R228.2m to R228.7m, followed by a 11% increase in FY17 to R253.6m. In FY18 a slight drop in revenue was recorded. The Group's gross margin remained fairly stable and ranging from 11.9% to 13.2% over the 4-year period.

The Group continued to break even at an operational level, with the exception of FY16 when the Group reported a small operating loss of R284k. The Group's operating, PBT and PAT margin remained stable at 0% over the 4-year period.

Going forward management expects revenue to increase in line with SEP increases, while the gross margin is expected to remain fairly stable ranging between 14.2% and 14.8% over the forecast period.

The Group's operating, PBT and PAT margin are expected to remain fairly stable at 0% over the forecast period, in line with the Group strategy.

Margin ratios (%)

	Historicals				Forecast				
	FY15	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
Gross Margin	13.2%	12.7%	11.9%	12.5%	14.2%	14.4%	14.6%	14.7%	14.8%
Operating profit margin	0.5%	-0.1%	0.2%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%
EBITDA margin	0.5%	-0.1%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
Profit before tax margin	0.4%	-0.2%	0.2%	0.3%	0.1%	0.1%	0.0%	0.1%	0.0%
Profit after tax margin	0.3%	-0.1%	0.1%	0.2%	0.1%	0.1%	0.0%	0.1%	0.0%
Effective tax	29%	28%	28%	28%	28%	28%	28%	28%	28%

Year-on-year growth (%)

	Historicals				Forecast				
	FY15	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
Revenue	n/a	0%	11%	-1%	-15%	6%	6%	6%	6%
Gross profit	n/a	-4%	4%	4%	-3%	7%	7%	7%	6%
Operating profit	n/a	-127%	-274%	51%	-63%	12%	-39%	44%	-26%
Profit before tax	n/a	-139%	-208%	77%	-74%	18%	-54%	79%	-38%
Profit after tax	n/a	-140%	-208%	77%	-74%	18%	-54%	79%	-38%

2 DCF VALUATION

2.1 Sources of Information

The sources of information include, but were not limited to, the following:

- Financials provided by management including historical financial information for the years ended December 2015, 2016, 2017 and 2018;
- Management prepared forecasts for the years ending December 2019 to December 2023; and
- Financial information providers such as Reuters.

2.2 Effective Date

The effective date of the valuation is **1 August 2019**.

2.3 Valuation Inputs

2.3.1 WACC

The WACC is a calculation of the Company's cost of capital in which each category of capital is proportionately weighted.

The projected future cash flows for the Company were discounted using its WACC, which is generally the best measure for assessing the required rate of return for a company.

The Capital Asset Pricing Model was used to calculate RA Gilbert's cost of equity ("Ke"), which is expressed by the following equation:

Ke = Risk Free Rate + Business Risk Premium

The Business Risk Premium is equal to the Beta (an assessment of the relative risk of a particular investment in relation to the risk of an investment in the market as a whole) multiplied by the market risk premium (the premium the market requires over the risk free rate for an investment in equities). The values we have allocated to each of these variables are discussed below.

2.3.2 Risk Free Rate

In selecting an appropriate risk free rate to be used for the cost of equity, we have used the relevant yield on a long dated government bond. In South Africa, various government bonds are available as a proxy for the risk free rate.

For the purposes of this report, the South African R186 Government bond, expiring in December 2026 has a time horizon which closely matches the forecast period and has thus been used. The yield on this bond amounted to a risk free rate of **8.83%** as at 1 August 2019.

2.3.3. Market Risk Premium

In determining the appropriate market risk premium, we have consulted a number of sources, with a particular focus on The Survey. We have used the most commonly implemented approach in determining the market risk premium, being the historical approach.

This approach is based on the assumption that in a well-functioning market, arbitrage will ensure that required and achieved returns should be equivalent.

The Survey revealed that during 2016, the average market risk premium applied in South Africa was between 5.6% - 7.9%.

Based on our information gathering procedures, a market risk premium of **6.75%** (the midpoint figure) has been applied to the discount rate calculation.

2.3.4. Beta

In calculating the Beta for a company it is important to find peers with characteristics that closely resemble the company being valued including areas such as services offered and size, so as to accurately approximate the systematic risk of that company. After analysing the services offered by RA Gilbert, we have identified Clicks Group, Dis-Chem Pharmacies, Pick N Pay Stores, SPAR Group and Shoprite Holdings as the most comparable listed peers after removing other companies who were viewed as outliers. Clicks and Dis-Chem Pharmacies are retail-led healthcare Groups which are listed in the food and drug retailers' sector on the JSE. Spar, Pick n Pay and Shoprite are large retailers with exposure to pharmacies. There are certain differences in the nature and extent of these comparable companies and accordingly to average out these differences, we have weighted the five entities' respective betas equally. Note that further adjustments to the cost of equity were performed and are explained in the forthcoming paragraphs to adjust for other differences in the companies.

The Beta is as follows:

Company	D/E	Tax Rate	Levered	Unlevered
Clicks Group Ltd	0%	28%	0.65	0.65
Dis-Chem Pharmacies Ltd	86%	28%	0.66	0.41
Pick N Pay Stores Ltd	72%	28%	0.77	0.51
SPAR Group Ltd	73%	28%	0.75	0.49
Shoprite Holdings Ltd	60%	28%	0.25	0.17
Average	**58%**		**0.62**	**0.45**
Median	**72%**		**0.66**	**0.49**

2.3.5. Debt Capital Structure

The capital structure of a company is the weighting of debt and equity financing of the business. Where equity is determined to be the total capital provided by equity holders of a company and debt is classified as all interest bearing debt both short and long-term in nature. The debt capital structure affects the WACC as the portion of the capital structure consisting of debt will affect the cost of debt contribution to the overall WACC, whereas the equity portion will affect the cost of equity contribution to the overall WACC. There is currently a negligible amount of debt in the business so we have decided to use a more sustainable debt to equity ratio of **15:85** as we have assumed the Company will target and maintain this level of debt into the future.

We used a pretax cost of debt of **10.25%** for RA Gilbert, 25bps higher than the prime lending rate at the valuation date.

2.3.6. Small Stock Premium

A number of studies have indicated that investments in relatively smaller companies have experienced greater than predicted returns. As such, these companies have increased Betas to compensate for the increased required return. However, the increased Betas do not seem to fully explain the greater than average historical returns achieved. Investors will expect higher returns from smaller companies and thus we have applied a size discount.

The comparable listed companies are larger than RA Gilbert and their shares are more marketable and tradable by virtue of their size. Thus, an additional adjustment of **6.3%** was applied to the cost of equity in the WACC calculations.

2.3.7. Company Specific Premium

The Survey revealed that on average during 2016, the company specific adjustment applied was between 2% and 9.3%. An adjustment of **2%** was applied to the cost of equity in the WACC calculations to account for certain company specific risks. Given RA Gilbert's reliance on one key customers, namely members of Platinum Health Medical Scheme and Platmed, we believe a company specific adjustment of **2%** is justified.

Below is the discount rate applied:

Discount Rate		

Cost of equity	
Risk free rate	8.38%
Beta	0.49
Market risk premium	6.75%
+ Small stock premium	6.30%
+ Company specific	2.00%
Cost of equity	**20.0%**

Cost of debt	
Borrowing rate	10.25%
Tax rate	28.00%
After tax borrowing rate	**7.38%**

Weighted average cost of capital		
Equity	85%	17.01%
Debt	15%	1.11%
WACC		**18.12%**

2.4 Net Present Value Calculation

2.4.1 Free Cash Flow Analysis

Free Cash Flows

R	FY19	FY20	FY21	FY22	FY23	TV
EBITDA	(374,143)	366,676	505,070	586,473	504,374	504,374
- Cash tax paid	(53,253)	(62,750)	(28,700)	(51,493)	(31,865)	(31,865)
Funds Flow from Operations (FFO)	**(427,396)**	**303,926**	**476,370**	**534,980**	**472,509**	**472,509**
+/- Change in Working capital	128,103	117,290	72,388	54,775	33,590	33,590
Cash Flow from Operations (CFO)	**(299,293)**	**421,216**	**548,758**	**589,756**	**506,099**	**506,099**
- Capital expenditure	(58,000)	(58,000)	(1,618,000)	(318,000)	(306,000)	(306,000)
Free Cash Flow (FCF)	**(357,293)**	**363,216**	**(1,069,242)**	**271,756**	**200,099**	**200,099**

Net Present Value

	Forecasts					
R	FY19	FY20	FY21	FY22	FY23	TV
Free cash flow	(357,293)	363,216	(1,069,242)	271,756	200,099	200,099
Discount factor	0.97	0.84	0.72	0.61	0.52	3.96
Present value	**(345,111)**	**304,320**	**(764,613)**	**165,191**	**103,227**	**792,147**

Sum of PV's	255,160
Add: Cash and cash equivalents	2,671,557
NPV	2,926,718

The free cash flows over the four year and five months forecast valuation period and the terminal value have been discounted to derive a sum of present values of R255,160, which represents the enterprise value. Cash and cash equivalents of R2,671,577 at valuation date was added back to the NPV. This results in a total NPV of R2,926,718 with a range of R2,780,382 and R3,073,053.

3. P/E VALUATION

3.1 Introduction

A market approach valuation method consisting of a Price Earnings (“P/E”) multiple analysis has been utilised in determining the value of RA Gilbert.

The P/E ratio uses a headline earnings per share figure divided into the current stock price to calculate the P/E multiple (i.e. how many times a stock is trading (its price) per each Rand of EPS).

Formula:

$$\text{Price Earnings Ratio} = \frac{Stock\ Price\ Per\ Share}{Earnings\ Per\ Share\ \text{(EPS)}}$$

This methodology involved:

- Identifying comparable listed peers where information is readily available;
- Weighting the listed peers according to their similarities to RA Gilbert; and
- Multiplying the weighted average P/E multiple by the profit after tax which we anticipate that the business will be able to maintain going forward (“Sustainable Earnings”).

3.2 Sources of Information

The sources of information include, but were not limited to, the following:

- Financials provided by management including historical financial information for the years ended December 2015 to 2018 and Management Accounts to 31 July 2019;
- Financial information providers such as Reuters.

3.3 Effective Date

The effective date of the valuation is **1 August 2019**.

3.4 Valuation Inputs

3.4.1 Listed Comparable Companies ("P/E'') Ratios

After analysing the services offered by RA Gilbert, we have identified Clicks Group, Dis-Chem Pharmacies, Pick N Pay Stores, SPAR Group and Shoprite Holdings as the most comparable listed peers after removing other companies who were viewed as outliers. Clicks and Dis-Chem Pharmacies are retail-led healthcare Groups which are listed in the food and drug retailers' sector on the JSE. Spar, Pick n Pay and Shoprite are large retailers with exposure to pharmacies. There are certain differences in the nature and extent of these comparable companies and to average out these differences, we have weighted the five entities' respective P/E ratios accordingly. Also note that adjustments to the P/E ratio are explained in the following paragraphs to adjust for other differences in the companies.

The P/E ratio is as follows:

Price Earnings Calculation				
PEERS	**Market Capitalisation (ZAR)**	**Weightings**	**P/E Ratios**	**Weighted P/E Ratio**
Clicks Group Ltd	55,049,785,071	20.00%	33.69	6.74
Dis-Chem Pharmacies Ltd	19,780,071,326	20.00%	26.34	5.27
Pick N Pay Stores Ltd	33,212,643,036	20.00%	19.70	3.94
SPAR Group Ltd	36,608,788,187	20.00%	19.73	3.95
Shoprite Holdings Ltd	92,278,373,237	20.00%	19.01	3.80
		100.00%		**23.69**

3.4.2 The Price Earnings Adjustments

In order to accurately apply the weighted P/E multiple using the market approach, it is essential to adjust the identified peer weighted P/E multiple. In determining the relevant adjustments to be made to the P/E multiple, we have consulted a number of sources with a particular focus on The Survey.

The following adjustments have been made to the identified weighted average P/E multiple:

3.4.2.1 Company Specific Risk Adjustments

A key principle of our valuation technique is the fact that investors are only rewarded for systematic risks identified. Company specific risks that are theoretically diversifiable are thus not included in the model and therefore need to be included based on knowledge of the business and judgement.

The additional company specific risk discount to be included in the P/E multiple adjustments was based on RA Gilbert's reliance on one key customers, namely members of Platinum Health Medical Scheme and Platmed. Therefore, a company specific discount of **10%** has been applied.

3.4.2.2 Size Discount / Small Stock Premium

A number of studies have indicated that investments in relatively smaller companies have experienced greater than predicted returns. As such, these companies have increased Betas to compensate for the increased required return. However, the increased Betas do not seem to fully explain the greater than average historical returns achieved. In this instance, we have not looked at comparable Betas as we have applied a market approach. Regardless of the valuation methodology, investors will expect higher returns from smaller companies and thus size discounts are relevant to P/E valuations.

The comparable listed companies are larger than RA Gilbert and their shares are more marketable and tradable by virtue of the listings.

Taking the size factor compared to the peers selected into account, an additional adjustment of **15%** has been applied to the P/E multiple.

3.5 P/E multiple Calculation

Price Earnings Calculation				
PEERS	**Market Capitalisation (ZAR)**	**Weightings**	**P/E Ratios**	**Weighted P/E Ratio**
Clicks Group Ltd	55,049,785,071	20.00%	33.69	6.74
Dis-Chem Pharmacies Ltd	19,780,071,326	20.00%	26.34	5.27
Pick N Pay Stores Ltd	33,212,643,036	20.00%	19.70	3.94
SPAR Group Ltd	36,608,788,187	20.00%	19.73	3.95
Shoprite Holdings Ltd	92,278,373,237	20.00%	19.01	3.80
		100.00%		**23.69**
Discounts				
Company specific discount				10%
Size discount				15%
Discount applied to weighted P/E				**25%**
Adjusted P/E				**17.77**

3.6 Earnings Calculation

The forward earnings of R136,936 in FY19 were used based on management forecasts. Historic earnings of R518,464 in FY18 and R650,695 for the 7 months ending 31 July 2019 are not reflective of the Group's business model to keeps profits at a minimum.

3.7 Valuation

Total Valuation for RA Gilbert Proprietary Limited	
Adjusted P/E multiple	17.77
Sustainable Earnings	136,936
P/E Value	**2,433,421**

To get the value of the equity holders of the firm, we multiplied the Sustainable Earnings after tax, for a period of 12 months, as at 31 December 2019 of R136,936 by the adjusted P/E multiple of 17.77 to get a valuation of R2,433,421, with a valuation range of between R2,311,749 and R2,555,091.

4 NAV VALUATION

Another valuation methodology to use would be RA Gilbert's Net Asset Value at the valuation date, 1 August 2019, representing the realisable value of the business without taking future potential earnings into account. The net asset value approach is calculated as the difference between the fair market value of a company's assets and its liabilities.

The NAV for RA Gilbert at the valuation date is R2,671,557. As majority of the NAV relates to trade receivables and amounts owed by Group companies, it is unlikely that this amount would decrease and likely the full amount will be recovered.

5 CONCLUSION

The DCF valuation returned a range between R2,780,382 and R3,073,053, however given the nature of the business, we believe valuing future cash flows is not the most appropriate valuation metric.

Based on the purpose of the valuation, we believe more weight should be given to the NAV of R2,671,557.

The P/E valuation range is between R2,311,749 and R2,555,091. The purpose of performing a P/E valuation is to assess the reasonability of the NAV.

ANNEXURE 1 – HISTORICAL STATEMENTS OF COMPREHENSIVE INCOME FOR RA GILBERT

Statements of Comprehensive Income for the year ended 31 December

	Historicals			
	FY15	**FY16**	**FY17**	**FY18**
R				
Revenue	228,169,399	228,737,922	253,643,084	251,057,235
Cost of Sales	(197,969,468)	(199,773,097)	(223,480,759)	(219,605,542)
Gross Profit	**30,199,931**	**28,964,825**	**30,162,325**	**31,451,693**
Other operating expenses	(29,150,998)	(29,248,784)	(29,666,867)	(30,701,944)
Operating profit	**1,048,933**	**(283,959)**	**495,458**	**749,749**
Interest received	24,877	30,344	9,823	50,393
Interest paid	(111,926)	(123,882)	(97,445)	(80,053)
Profit before taxation	**961,884**	**(377,497)**	**407,836**	**720,089**
Taxation	(275,874)	105,700	(114,192)	(201,625)
Profit for the year	**686,010**	**(271,797)**	**293,644**	**518,464**
Depreciation & amortisation	(62,657)	(50,506)	(53,356)	(58,149)
EBITDA	**1,111,590**	**(233,453)**	**548,814**	**807,898**

ANNEXURE 2 – FORECAST STATEMENTS OF COMPREHENSIVE INCOME FOR RA GILBERT

Statements of Comprehensive Income for the year ended 31 December

	Forecast				
	FY19	**FY20**	**FY21**	**FY22**	**FY23**
R					
Revenue	214,451,085	226,448,943	239,224,636	253,272,926	268,196,044
Cost of Sales	(183,892,195)	(193,822,373)	(204,288,781)	(215,933,242)	(228,457,370)
Gross Profit	**30,558,890**	**32,626,570**	**34,935,855**	**37,339,684**	**39,738,674**
Other operating expenses	(30,284,132)	(32,317,894)	(34,748,785)	(37,071,211)	(39,540,300)
Operating profit	**274,758**	**308,676**	**187,070**	**268,473**	**198,374**
Interest received	3,075	3,075	3,075	3,075	3,075
Interest paid	(87,644)	(87,644)	(87,644)	(87,644)	(87,644)
Profit before taxation	**190,189**	**224,107**	**102,501**	**183,904**	**113,805**
Taxation	(53,253)	(62,750)	(28,700)	(51,493)	(31,865)
Profit for the year	**136,936**	**161,357**	**73,801**	**132,411**	**81,940**
Depreciation & amortisation	(58,000)	(58,000)	(318,000)	(318,000)	(306,000)
EBITDA	**332,758**	**366,676**	**505,070**	**586,473**	**504,374**

ANNEXURE 3 – HISTORIC STATEMENTS OF FINANCIAL POSITION FOR RA GILBERT

Consolidated Statement of Financial Position at 31 December

	Historical			
R	**FY15**	**FY16**	**FY17**	**FY18**
Assets				
Non-current Assets				
Property, plant and equipment	328,853	302,345	384,080	325,931
Deferred tax	1,320,378	1,468,755	1,614,443	1,921,516
	1,649,231	**1,771,100**	**1,998,523**	**2,247,447**
Current Assets				
Inventories	16,012,555	14,055,950	18,039,719	12,767,018
Trade and other receivables	24,055,428	36,540,133	16,718,587	22,249,087
Net amounts owed by group companies			6,128,935	18,924,711
Vat receivable	-	-	927,437	-
Taxation receivable	161,517	477,430	351,363	433,160
Prepaid insurance	-	-	-	22,277
Cash and cash equivalents	1,560,556	305,899	304,223	109,512
	41,790,056	**51,379,412**	**42,470,264**	**54,505,765**
Total Assets	**43,439,287**	**53,150,512**	**44,468,787**	**56,753,212**
Equity and Liabilities				
Equity				
Share capital	100	100	100	100
Retained income	2,556,992	2,285,195	2,578,829	3,097,293
	2,557,092	**2,285,295**	**2,578,929**	**3,097,393**
Liabilities				
Current Liabilities				
Net amounts owed to group companies	21,479,939	29,481,441	-	-
Value added taxation	250,692	444,080	-	396,097
Trade and other payables	8,657,255	14,339,160	32,621,204	42,503,578
Other liabilities	10,494,309	6,600,536	9,268,654	10,756,145
	40,882,195	**50,865,217**	**41,889,858**	**53,655,820**
Total Equity and Liabilities	**43,439,287**	**53,150,512**	**44,468,787**	**56,753,213**

Annexure C

COMPETITION COMMISSION MEGER CLEARANCE CERTIFICATE

Attached the clearance certificate as granted by the Competition Commission

competitioncommission
south africa

Notice CC 15

About this Notice

- This notice is issued in terms of section 14 of the Competition Act.
- If this merger is subject to any conditions, the primary acquiring firm or primary target firm may request the Competition Tribunal to consider the merger by filing a Request for Consideration in Form CT4 within 10 business days after the date of this certificate. Please see Tribunal Rules 32 through 34.
- If the firms appear to have breached an obligation that is part of this approval, before taking any action to revoke this approval, the Competition Commission must deliver to that firm a Notice of Apparent Breach in Form CC19. Please refer to Commission Rules 39 and 40

Contacting the Commission

The Competition Commission
Private Bag X23
Lynnwood Ridge
Pretoria 0040
Republic of South Africa
Tel: +27 (12) 394 3200
Fax: +27 (12) 394 0166
e-mail: ccsa@compcom.co.za

Merger Clearance Certificate

Date: 19 December 2017

To:

PLATINUM HEALTH MEDICAL SCHEME

AND

RA GILBERT PROP (PTY) LTD

2017NOV0031

You applied to the Competition Commission on 14 November 2017 for merger approval in accordance with Chapter 3 of the Competition Act.

After reviewing the information you provided, the Competition Commission approves the merger in terms of section 14 (1) (b) of the Act, for the reasons set out in the Reasons for Decision.

This approval is subject to:

[X] No conditions

[ ] The conditions listed on the attached sheet.

The Competition Commission has the authority in terms of section 15 of the Competition Act to revoke this approval if

a) it was granted on the basis of incorrect information for which a party to the merger was responsible.
b) the approval was obtained by deceit, or
c) a firm concerned has breached an obligation attached to this approval.

Name and Title of person authorised to sign on behalf of the Competition Commission:

THABELO MASITHULELA
ACTING MANAGER: MERGERS AND ACQUISITIONS

Authorised Signature:

Annexure D

SPECIAL GENERAL MEETING NOTICE, PAPERS AND MINUTES

Attached the Special General Meeting notice, papers and minutes as required

NOTICE: Platinum Health members are invited to the

SPECIAL GENERAL MEETING

Kindly advice Cindy-Marie Bertram (contact number 014 591 3069) if you wish to attend, by no later than Friday, 19 October 2018, to ensure that the venue and catering are adequately arranged.

If you should decide to mandate another member to vote on your behalf, please email a completed and signed proxy form to cindy-marie.bertram@platinumhealth.co.za or fax to 086 247 9004 for our records.

PLATINUM HEALTH

PLATINUM
HEALTH

PLATINUM HEALTH MEDICAL SCHEME

Private Bag X82081
Rustenburg
0300

NOTICE IS HEREBY GIVEN THAT THE SPECIAL GENERAL MEETING OF THE

PLATINUM HEALTH MEDICAL SCHEME WILL BE HELD ON

26 OCTOBER 2018 AT 12:00 AT THE SIBANYE RECREATION CLUB, RUSTENBURG.

AGENDA

1. Notice of Meeting

2. Approval of the RA Gillbert Pharmacies purchase by Platinum Health Medical Scheme

3. Approval of Rule 18 amendment

Completed and signed proxy forms to be faxed to 086 247 9004 or forwarded to Cindy Bertram: cindy-marie.bertram@platinumhealth.co.za

PLATINUM
HEALTH

Private Bag X82081, Rustenburg, 0300
Tel: 014 591 3000 Fax: 0862479004

26 September 2018

Dear Member

Platinum Health Special General Meeting

You are kindly invited to attend the Platinum Health Medical Scheme Special General Meeting to be held at the Sibanye Recreation Club, Rustenburg on Friday, 26 October 2018 at **12:00**. Attached herewith the Agenda.
Please kindly advise Ms Cindy-Marie Bertram if you wish to attend, by no later than Friday, 19 October 2018 Tel: (014) 591 3069 to ensure that the venue and catering are adequately arranged.

A proxy form is attached as part of this letter should you decide to mandate another member to vote on your behalf. Completed and signed proxy form to be faxed to 086 247 9004 or emailed to cindy-marie.bertram@platinumhealth.co.za for our record.

Yours sincerely

P.W. Mboniso

Principal Officer

PLATINUM
HEALTH

Private Bag X 82081
Rustenburg, 0300
Tel: 014 591 3000 Fax: 014 591 4

NOTE TO PLATINUM HEALTH MEDICAL SCHEME MEMBERS ON RAG PHARMACIES

Purpose of the Note

This note is intended to give the rationale to Platinum Health Medical Scheme (PHMS) members for the reason why the Board of Trustees(BOT) called the Special General Meeting in terms of Rule 26 of scheme rules. Secondly, to explain the reason why PHMS need to acquire RAG pharmacies.

Background

Platinum Health Medical Scheme (PHMS) operates a staff model Health Maintenance Organization (HMO) whereby health services are provided to members of the scheme through an integrated service delivery model. Key to this service delivery model, is the provision of pharmaceutical benefits through the RA Gilbert(Pty)Ltd(RAG) pharmacies. RA Gilbert (Pty) Ltd (RAG) is an indirect wholly owned subsidiary of Anglo American Platinum Limited (AAP) that operates pharmacies. Most of the pharmacies are on mine premises which are located in rural areas, 20-50km from the nearest town. These pharmacies are positioned to ensure accessibility to PHMS members who are residing in rural areas where these services are not easily obtained ordinarily.

In 2015/16 AAP reviewed its Healthcare Strategy and in June 2016 it approved a revised healthcare strategy. In terms of the revised healthcare strategy it was decided by AAP that:

- PHMS would be retained as the medical scheme of choice and accordingly should be set-up to ensure its sustainability in the short to medium term.

To ensure sustainability of PHMS in the short to medium term, RAG pharmacies, which predominantly service PHMS members who accounts for 85-90% of turnover of RAG, could be acquired by PHMS at net asset value.

Discussion

For the reasons mentioned above, the acquisition by PHMS of RAG is crucial to ensure the sustainability of PHMS into the future. The PHMS BOT then took this opportunity and embarked on the following actions:

1. Entered into a purchase agreement with AAP for PHMS to acquire RAG.

2. Obtained an estimate of the additional costs that would arise if PHMS was not able to operate the HMO model and had to fund healthcare services on a fee-for-service basis. According to actuarial calculations done by Insight Actuaries and Consultants, PHMS would see direct healthcare expenditure increase by 20% compared to the current arrangements.

3. Further obtained legal opinion regarding the possible acquisition of RAG by PHMS. Regulation 4 of the Regulations relating to the ownership and licensing of pharmacies, published under the Pharmacy Act 53 of 1974, provides that body corporates that are governed by a Board of Trustees may own or have a beneficial interest in institutional pharmacies in private facilities and community pharmacies, respectively.

The Competition Commission approved the purchase of RAG by PHMS, however, the Medical Schemes Act (MSA) Regulations, limits the purchase of shares in unlisted entities (being the shares in RAG) to a maximum percentage of 2.5% of the aggregate fair value of liabilities and the minimum accumulated funds to be maintained in terms of regulation 29 of the MSA Regulations. (Scheme Reserves).

In light of the above, PHMS applied to the Council of Medical Schemes (CMS) for exemption in terms of Section 8(h) of the MSA in respect of RAG acquisition. In the process of this exemption discussion with the Council for Medical Schemes, it emerged that another requirement of the MSA has to be complied with which is Section 63 of MSA. Section 63 of MSA provides that members of the scheme need to approve the purchase of the RA Gilbert pharmacies. To obtain PHMS members' approval of the purchase as required by Section 63, the PHMS BOT resolved to call Special General Meeting(SGM) as provided for in rule 26 of scheme rules.

Recommendation

The PHMS members attend the SGM to consider and approve the purchase of RA Gilbert pharmacies.

Yours Sincerely

P.W. Mboniso
Principal Officer

PLATINUM
HEALTH

Private Bag x 82081
RUSTENBURG 0300
Tel: (014) 591 3000
E-mail: plathl@angloplat.com

NOTE ON PLATINUM HEALTH MEDICAL SCHEME RULE 18 AMDENDMENTS AND DELETIONS

Background

The current Rule 18 of the PHMS 2018 amended rules is aptly headed Governance. Furthermore, clause 18 states that the affairs of the Scheme must be managed according to these rules by a Board consisting of sixteen persons who are fit and proper to be Trustees. Furthermore, the Board shall be made up of eight employer nominated Trustees and their alternates and eight member elected Trustees and their alternates. Sibanye Platinum has given PHMS notice of its intention to terminate membership of the scheme with effect from 31 December 2018. This renders the Constituency 2 in rule 18 of the scheme rules irrelevant and reduces the number of trustees from 16 to 14 with seven constituencies.

Discussion

Given the background above, on 06 September 2018, the PHMS BOT approved a rule change to in order to manage the above mentioned developments. The proposed rule change is THAT;

1. Rule 18 be amended by rescinding the clause that establishes Constituency 2 and consequently amend the number of trustees from 16 to 14 and number of constituencies from 8 to 7.

NEW RULE 18. Shall read as follows;

18. GOVERNANCE

18.1 The affairs of the Scheme must be managed according to these rules by a Board consisting of fourteen persons who are fit and proper to be trustees.

18.2 The board members shall elect the chairman and vice-chairman from amongst themselves. The board shall be made up of seven employer nominated trustees and their alternates and seven member elected trustees and their alternates.

18.2.1 The elected member trustees and their alternates shall represent members

in the following constituencies namely;

Constituency 1 comprising members employed at Anglo American Platinum Limited - Process Division Operations;

Constituency 2 comprising members employed at Siyanda Bakgatla Platinum Limited operations and other operations in the Union mine area;

Constituency 3 comprising members employed at Anglo American Platinum Limited operations and other operations in the Tumela and Dishaba Mines area;

Constituency 4 comprising members employed at the Royal Bafokeng Platinum operations and such other operations in the surrounding area as agreed from time to time;

Constituency 5 comprising members employed at the Modikwa Platinum operations and such other operations in the surrounding area as agreed from time to time;

Constituency 6 comprising of members employed within all other areas not included in the abovementioned and below mentioned constituencies including but not limited to GSS, Corporate Offices, Mogalakwena and Retirees.

Constituency 7 comprising members employed at the Northam Platinum operations and such other operations in the surrounding area as agreed from time to time;

AMEDING THE CURRENT RULE which reads as follows:

18. GOVERNANCE

18.1 The affairs of the Scheme must be managed according to these rules by a Board consisting of sixteen persons who are fit and proper to be trustees.

18.2 The board members shall elect the chairman and vice-chairman from amongst themselves. The board shall be made up of eight employer nominated trustees and their alternates and eight member elected trustees and their alternates.

18.2.1 The elected member trustees and their alternates shall represent members

in the following constituencies namely;

Constituency 1 comprising members employed at Anglo American Platinum Limited - Process Division Operations;

Constituency 2 comprising members employed at Sibanye Rustenburg Platinum Limited operations and other operations in the Rustenburg area;

Constituency 3 comprising members employed at Siyanda Bakgatla Platinum Limited operations and other operations in the Union mine area;

Constituency 4 comprising members employed at Anglo American Platinum Limited operations and other operations in the Tumela and Dishaba Mines area;

Constituency 5 comprising members employed at the Royal Bafokeng Platinum operations and such other operations in the surrounding area as agreed from time to time;

Constituency 6 comprising members employed at the Modikwa Platinum operations and such other operations in the surrounding area as agreed from time to time;

Constituency 7 comprising of members employed within all other areas not included in the abovementioned and below mentioned constituencies including but not limited to GSS, Corporate Offices, Mogalakwena and Retirees.

Constituency 8 comprising members employed at the Northam Platinum operations and such other operations in the surrounding area as agreed from time to time;

Recommendation

It is recommended that:

a. The PHMS members attend the Special General Meeting to approve the proposed Rule amendment.

Yours Sincerely
Welcome Mboniso
Principal Officer

PLATINUM
HEALTH

PLATINUM HEALTH MEDICAL SCHEME

Special General Meeting

26 October 2018 at 12:00
Sibanye Recreation Club, Rustenburg

Please note that the proxy must be signed by the member and the person appointed as the proxy.

Proxy Form

I, ____

Being a member of Platinum Health Medical Scheme hereby appoints:-

____

or failing, that person, the Chairman of the meeting, to act as my proxy to vote on my behalf at the Special General Meeting of the Scheme to be held on 26 October 2018.

Signed this _______ day of _________________ 2018

Signature of Member _____________________ Membership Number | . | . | . | . | . | . | . | . | . | . |

Signature of appointed Proxy _______________ Membership Number | . | . | . | . | . | . | . | . | . | . |

PLATINUM
HEALTH

MINUTES OF A SPECIAL PLATINUM HEALTH MEDICAL SCHEME GENERAL MEETING
HELD ON 26 OCTOBER 2018 AT 12:00
AT THE SIBANYE RECREATION CLUB, RUSTENBURG

Present	Mr Welcome Mboniso	Principal Officer, Platinum Health
	Members	43
	Proxies	49
Apologies:	Mr Colin Smith	Chairperson, PHMS Board of Trustees
Scribe:	AB Heyns	

1. **NOTICE OF MEETING AND WELCOME**

1.1 Mr Welcome Mboniso, the Principal Officer of the Scheme, welcomed all present at the Special General Meeting. He provided a brief overview of health and safety arrangements, pointing out emergency exits and assembly points in case of an emergency.

Ms Liesel Roets, the Deputy Chairperson of the BoT, led the meeting in the absence of the Chairperson, Mr Colin Smith, who tendered an apology.

It was confirmed that due notice of the meeting and agenda had been circulated prior to the meeting. A quorum was established, and the meeting proceeded as an official meeting of the Scheme.

2. **APPROVAL FOR THE SCHEME TO PURCHASE RA GILBERT PHARMACIES**

2.1 Mr Oweto Matshaya, the CFO of the Scheme, introduced this item.

Platinum Health Medical Scheme (PHMS) operates a staff model Health Maintenance Organisation (HMO) whereby health services are provided to members of the Scheme through an integrated service delivery model. Key to this model is the provision of pharmaceutical benefits through the RA Gilbert (Pty) Ltd pharmacies (RAG). RAG is an indirect, wholly-owned subsidiary of Anglo American Platinum Limited, which was established in 1996 to operate a group of pharmacies which are mostly located on mine premises in rural areas, often 20 – 50 km from the nearest town. These pharmacies serve PHMS members residing in areas where commercial pharmacies are not easily accessible, in locations such as Amandelbult, Northam, Thabazimbi and Burgersfort, among others.

RAG was never intended to generate profit, but to break even. RAG's staff complement at the end of

September was 59 people, and it had a turnover of more than R 250 million in 2017. The benefit of using RAG pharmacies is that the Scheme could generate a 22% saving on medication spend per month when measured against the broader medical scheme industry. RAG also enables the Scheme to increase accessibility to medicines at mining and rural operations; achieve increased generic medicines utilisation as well as a higher substitution rate that helps to contain costs; implement lower mark-ups when compared to the medical scheme industry, and implement a medicines formulary.

During 2015/16 AAP reviewed its Healthcare Strategy and approved a revised healthcare strategy in June 2016. In terms of the revised healthcare strategy AAP decided that PHMS would be retained as the medical scheme of choice and accordingly should be capacitated to ensure its sustainability in the short- to medium-term.

To achieve the sustainability of PHMS in the short- to medium-term, AAP approved a proposal that RAG pharmacies, which predominantly serve PHMS members that account for 85 – 90% of the RAG turnover, could be acquired by PHMS at net asset value. The purchase price as at 30 September 2018 was estimated at R 16 110 083, which includes shares, inventory, and fixed assets. If the RAG staff were to transfer to the Scheme, the Scheme would also be able to save R 2.8 million per annum in VAT.

In keeping with this strategic decision, the PHMS BoT mandated the Scheme's management to:

i. Enter into a purchase agreement with AAP to acquire RAG on behalf of the Scheme;
ii. Obtain an estimate of any additional costs that may arise if PHMS were unable to operate the HMO model and had to fund healthcare services on a fee-for-service basis. According to actuarial calculations done by Insight Actuaries and Consultants, PHMS would see direct healthcare expenditure increase by 20%, compared to current arrangements.
iii. The Scheme's management also obtained legal opinion regarding the acquisition of RAG by the Scheme. Regulation 4 of the Regulations dealing with the ownership and licensing of pharmacies under the Pharmacy Act 53 of 1974, states that body corporates governed by a Board of Trustees may own or have a beneficial interest in institutional pharmacies in private facilities and community pharmacies, respectively.
iv. Management also applied to the Competition Commission to purchase RAG pharmacies, which was granted.

However, the Medical Schemes Act Regulations limit the purchase of shares in unlisted entities such as RAG to a maximum of 2.5% of the aggregate fair value of liabilities and the minimum accumulated funds to be maintained in terms of Regulation 29 of the MSA Regulations.

Considering these limitations, PHMS applied to the Council of Medical Schemes for exemption in terms of Section 8(h) of the Medical Schemes Act to acquire RAG. In discussing the exemption with the CMS, the CMS raised another requirement that must be complied with in terms of Section 63 of the MSA, which is that the members of the Scheme need to approve the purchase of RA Gilbert pharmacies by the Scheme. To obtain PHMS members' approval of the purchase, this Special General meeting, as provided in Rule 26 of the Scheme rules, was therefore called.

Discussion:

A question was raised about the motivation for buying RAG, and what risks it presents for the Scheme. Mr Matshaya indicated that AAP no longer wishes to operate pharmacies because doing so does not form part of their core business. The Scheme needs to provide cost effective services to the members residing on remote sites, and the risk exists that if another operator buys RAG, medicines could increase the Scheme's costs considerably. If the Scheme bought RAG, it would have to pay for the purchase out of the Scheme's reserves, but even doing so will not affect the Scheme's solvency ratio adversely. The Scheme's reserves currently exceed R 400 million; if it spends approximately R 16 million to purchase RAG, this will only be a fraction of the Scheme's reserves. It was further noted that the estimated amount of stock on hand at the end of September 2018 was R 15.7 million, but that this amount could decrease depending on when the sale takes place. This, combined with an envisaged saving of R 2.8 million in VAT on salaries, will eventually have a positive impact on the Scheme's financial outlook.

A further question was raised about the impact of Sibanye's withdrawal on the Scheme's operations. It was confirmed that Sibanye's withdrawal will mean a reduction in members in the Scheme, which has required the Scheme to place a moratorium on new appointments and to start reducing staff numbers through natural attrition and voluntary staff redeployments.

In response to a question whether the Scheme's membership fees could increase because of taking on RAG staff, it was confirmed that this will not be the case. It was reiterated that to maintain RAG's break-even position, the Scheme will maintain the current mark-up of 11%. Any other entity will probably implement a 26% mark-up, in line with the industry standard. If the Scheme does not purchase RAG, members at various sites will have to purchase medicines from commercial pharmacies, which may not be as accessible or as affordable.

2.2 The members present at the Special General Meeting held on 26 October 2018 unanimously approved Management's recommendation to purchase RA Gilbert (Pty) Ltd pharmacies as set out above. The Scheme also received 49 proxy votes in support of this decision. The Scheme will now approach the CMS to request approval to purchase RAG.

3. APPROVAL OF RULE 18 AMENDMENT

3.1 In the current Rules of the PHMS, Rule 18: Governance states that the affairs of the Scheme must be managed by a Board of Trustees consisting of sixteen (16) persons who are fit and proper to be trustees. The Rule further specifies that the Board of Trustees (BoT) shall consist of eight (8) employer-nominated Trustees and their alternates, and eight (8) member-elected trustees and their alternates.

Sibanye Platinum has given PHMS notice of its intention to terminate membership of the Scheme with effect from 31 December 2018. This withdrawal by Sibanye Platinum will render Constituency 2 in Rule 18 of the Scheme Rules irrelevant and reduce the number of constituencies from eight (8) to seven (7), and the number of trustees from sixteen (16) to fourteen (14).

On 6 September 2018, the PHMS BoT approved a rule change to manage the above-mentioned developments. In keeping with this decision by the BoT, Rule 18 must be amended to read as follows:

18. GOVERNANCE

18.1 The affairs of the Scheme must be managed according to these rules by a Board consisting of fourteen (14) persons who are fit and proper to be trustees.

18.2 The Board members shall elect the Chairman and Vice-Chairman from amongst themselves. The Board shall be made up of seven (7) employer-nominated trustees and their alternates and seven (7) member-elected trustees and their alternates.

18.2.1 The elected member trustees and their alternates shall represent members in the following constituencies:

i. Constituency 1 will comprise members employed at Anglo American Platinum Limited Process Division operations;
ii. Constituency 2 will comprise members employed at Siyanda Bakgatla Platinum Limited operations and other operations in the Union mine area;
iii. Constituency 3 will comprise members employed at Anglo American Platinum Limited operations and other operations in the Tumela and Dishaba Mines area;
iv. Constituency 4 will comprise members employed at Royal Bafokeng Platinum operations and such other operations in the surrounding area as agreed from time to time;
v. Constituency 5 will comprise members employed at Modikwa Platinum operations and such other operations in the surrounding area as agreed from time to time;
vi. Constituency 6 will comprise members employed within all other areas not included in the constituencies mentioned above and below, including but not limited to GSS, Corporate Offices, Mogalakwena and Retirees;
vii. Constituency 7 will comprise members employed at Northam Platinum operations and such other operations in the surrounding area as agreed from time to time.

3.2 The members present at the SGM unanimously approved the recommended amendment to Rule 18, which provides for the total BoT membership to consist of fourteen (14) members, representing seven (7) constituencies, as set out above. The Scheme also received 49 proxy votes in support of this decision.

4. CLOSURE

4.1 Mr Mboniso closed the meeting at 13:00, and thanked all members of the Scheme for their attendance and participation.

Annexure E

AGREEMENTS

Attached is the signed sale agreement for RAG

SALE OF SHARES AGREEMENT

entered into between

EXECUTION VERSION

PLATMED PROPRIETARY LIMITED

(Registration No. 1996/016428/07)

and

PLATINUM HEALTH MEDICAL SCHEME

(Registration No. 29/4/2/1583)

TABLE OF CONTENTS

Clause number and description	Page

WHEREBY IT IS AGREED AS FOLLOWS:

1. **INTERPRETATION AND PRELIMINARY**

The headings of the clauses in this Agreement are for the purpose of convenience and reference only and shall not be used in the interpretation of nor modify nor amplify the terms of this Agreement nor any clause hereof. Unless a contrary intention clearly appears:

1.1. the following terms shall have the meanings assigned to them hereunder and cognate expressions shall have corresponding meanings, namely:

1.1.1. "**Act**" means the Companies Act 71 of 2008;

1.1.2. "**Agreement**" means this sale of shares agreement, including any annexures hereto;

1.1.3. "**Business Day**" means a day which is not a Saturday, Sunday or a public holiday gazetted in South Africa from time to time;

1.1.4. "**Closing Date**" means the 1st (first) Business Day following the last day of the calendar month immediately following the date that is 15 (fifteen) Business Days after the date on which the Condition Precedent has been fulfilled, or on another later date as may be agreed in writing between the Parties, alternatively, in the event that the Condition Precedent has been fulfilled prior to the Effective Date, the Closing Date shall be on the Effective Date;

1.1.5. "**CMS**" means the Council for Medical Schemes established pursuant to the provisions of section 3 of the Medical Schemes Act;

1.1.6. "**Company**" means R A Gilbert Proprietary Limited, a company with limited liability, duly incorporated in terms of the laws of South Africa, with registration number 1996/016478/07;

1.1.7. "**Competition Act**" means the Competition Act 89 of 1998;

1.1.8. "**Competition Authorities**" means the commission established pursuant to Chapter 4, Part A of the Competition Act or the tribunal established pursuant to Chapter 4, Part B of the Competition Act or the appeal court established pursuant to Chapter 4, Part C of the Competition Act, as the case may be;

1.1.9. "**Condition Precedent**" means the condition precedent in clause 2.1;

1.1.10. "**Effective Date**" means 01 January 2020;

1.1.11. **"Equity Value"** means the equity value of the Company as at 31 December 2019, as reflected in the annual financial statements audited by Deloitte & Touché;

1.1.12. **"Immediately Operative Provisions"** means clauses 1 (*Interpretation and Preliminary*), 2 (*Condition Precedent*), 3 (*Competition Authorities and CMS*), 8 (*Warranties and Representations*), 12 (*Agent's Commission*), 13 (*Press Announcements*), 14 (*Assignment*), 15 (*Arbitration*), 16 (*Breach and Termination*), 17 (*Domicilia and Notices*), 18 (*Governing Law*), 19 (*Whole Agreement, No Amendment*), 20 (*Overdue Interest*) and 21 (*Stipulatio Alteri*);

1.1.13. **"Long Stop Date"** means 30 June 2020, provided that such date may be extended by agreement in writing by the Parties any number of times;

1.1.14. **"Medical Schemes Act"** means the Medical Schemes Act 131 of 1998;

1.1.15. **"Merger Notification"** means the merger notice submitted to the Competition Authorities, on or about 14 November 2017;

1.1.16. **"Parties"** means the Seller and the Purchaser, and **"Party"** means any one of them as the context requires;

1.1.17. **"Purchase Price"** means the term as defined in clause 5 (*Purchase Price*);

1.1.18. **"Purchase Price Adjustment"** means the amount, if any, by which the Purchase Price is increased or decreased, as the case may be, in accordance with clause 6 (*Payment of the Purchase Price*);

1.1.19. **"Purchaser"** means Platinum Health Medical Scheme, a medical scheme registered as such in terms of section 24 of the Medical Schemes Act 131 of 1998, with registration number 29/4/2/1583;

1.1.20. **"Sale Shares"** means the entire issued share capital of the Company;

1.1.21. **"Seller"** means Platmed Proprietary Limited, a company with limited liability, duly incorporated in terms of the laws of South Africa, with registration number 1996/016428/07;

1.1.22. **"Signature Date"** means the date on which the Party to this Agreement signing last in time signs this Agreement;

1.1.23. **"Surviving Provisions"** means clauses 1 (*Interpretation and Preliminary*), 2 (*Condition Precedent*), 12 (*Agent's Commission*), 13 (*Press Announcements*), 14 (*Assignment*), 15 (*Arbitration*), 16 (*Breach and Termination*), 17 (*Domicilia* *and Notices*), 18 (*Governing Law*), 19 (*Whole Agreement, No Amendment*), 20 (*Overdue Interest*) and 21 (*Stipulatio Alteri*); and

1.1.24. "**Transaction**" means the sale of shares contemplated in this Agreement;

1.2. words importing:

1.2.1. any one gender include the other genders;

1.2.2. the singular include the plural and vice versa; and

1.2.3. natural persons include created entities (corporate or unincorporated) and the state and vice versa;

1.3. any reference to an enactment is to that enactment as at the Signature Date and as amended or re-enacted from time to time and includes any subordinate legislation made from time to time under such enactment;

1.4. references to a "**subsidiary**" or a "**holding company**" shall be references to a subsidiary or holding company as defined in the Act (and shall include, for the avoidance of doubt, direct and indirect subsidiaries and direct and indirect holding companies), save that the interpretation and application of these definitions in the Act shall not be limited to South African companies;

1.5. if any provision in a definition is a substantive provision conferring rights or imposing obligations on any Party, notwithstanding that it is only in the definition clause, effect shall be given to it as if it were a substantive provision in the body of the Agreement;

1.6. if there is any conflict between any definitions in this Agreement then, for purposes of interpreting any clause of the Agreement or paragraph of any annexure, the definition appearing in that clause or paragraph shall prevail over any other conflicting definition elsewhere in the Agreement;

1.7. when any number of days is prescribed in this Agreement, same shall be reckoned exclusively of the first and inclusively of the last day unless the last day falls on a day which is not a Business Day, in which case the last day shall be the next succeeding Business Day;

1.8. if figures are referred to in numerals and in words and if there is any conflict between the two, the words shall prevail;

1.9. expressions defined in this Agreement shall bear the same meanings in schedules or annexures to this Agreement which do not themselves contain their own conflicting definitions;

1.10. if any term is defined within the context of any particular clause in this Agreement, the term so defined, unless it is clear from the clause in question that the term so defined has limited application to the relevant clause, shall bear the meaning ascribed to it for all purposes in terms of this Agreement, notwithstanding that that term has not been defined in this interpretation clause;

1.11. should this Agreement terminate pursuant to any provision contained herein or be cancelled by either Party in terms of the provisions hereof, the Parties shall continue to be bound the Surviving Provisions. Without derogating from the aforegoing, the expiration or termination of this Agreement shall not affect such of the provisions of this Agreement as expressly provide that they will operate after any such expiration or termination or which of necessity must continue to have effect after such expiration or termination, notwithstanding that the clauses themselves do not expressly provide for this;

1.12. the rule of construction that a contract shall be interpreted against the Party responsible for the drafting or preparation of the contract, shall not apply to this Agreement;

1.13. any reference in this Agreement to a Party shall include a reference to that Party's assigns expressly permitted under this Agreement and, if such Party is liquidated or sequestrated, be applicable also to and binding upon that Party's liquidator, trustee or curator, as the case may be;

1.14. the rule of construction that if general words or terms are used in association with specific words or terms which are a species of a particular genus or class, the meaning of the general words or terms shall be restricted to that same class (i.e. the *eiusdem generis* rule) shall not apply, and (notwithstanding that in some instances this may have been specifically provided for, but not in others) the words "**include/s**", "**including**" and "**in particular**" shall be construed as being by way of example or emphasis only and shall not be construed as, nor shall they take effect as, limiting the generality of any preceding word/s and similarly the words "**other**" and "**otherwise**" shall not be construed *eiusdem generis* with any preceding words if a wider construction is possible; and

1.15. any reference in this Agreement to any other agreement or document shall be construed as a reference to such other agreement or document as same may have been, or may from time to time be as lawfully, ceded, delegated, amended, varied, novated, reinstated, replaced or supplemented in accordance with these terms.

2. CONDITION PRECEDENT

2.1. This Agreement, save for the Immediately Operative Provisions which shall be of immediate force and effect, is subject to the exemption being granted by the CMS in terms of section 8(h) of the Medical Schemes Act for the implementation of the Transaction, provided that such exemption is either:

2.1.1. unconditional and unqualified; or

2.1.2. on such conditions or with such qualifications as the Purchaser and the Seller confirm in writing to each other are acceptable to them (acting reasonably).

2.2. It is recorded that the Merger Notification was submitted to the Competition Authority on or about 14 November 2017, and the Competition Authority unconditionally, and without qualification approved the implementation of the Transaction on or about 19 December 2017.

2.3. To the extent that it is within a Party's control, each Party shall use its best endeavours to procure the fulfilment of the Condition Precedent forthwith after the Signature Date.

2.4. The Seller and the Purchaser, as the case may be, shall promptly notify the other of the satisfaction of the Condition Precedent immediately upon becoming aware of the same.

2.5. If the Condition Precedent is not fulfilled on or before the Long Stop Date, the Surviving Provisions shall continue to be of force and effect and the Immediately Operative Provisions shall cease to be of any force or effect, but the remaining provisions of this Agreement shall never become effective and the Parties shall restore to one another any performance which they may have rendered or received under this Agreement.

2.6. If the Condition Precedent is not fulfilled in terms of this clause 2 (*Condition Precedent*), no Party shall have a claim against the other as a result of or in connection with any such non-fulfilment save with respect to any breach of clause 2.2.

3. **CMS**

With regard to the Condition Precedent set out in clause 2.1:

3.1. Any appeal or review of a decision or ruling of CMS shall only be undertaken by agreement in writing between the Parties.

3.2. The Parties shall as soon as reasonably possible, either before or after Signature Date, jointly prepare and submit the required documentation and information for purposes of the exemption application in terms of section 8(h) of the Medical Schemes Act relevant to the Transaction, including any exposition papers, ("**Exemption Documentation**") to the CMS, for approval.

3.3. Each of the Parties shall use its best efforts to:

3.3.1. sign and/or prepare all documents and expeditiously provide all necessary information and documentation upon being required to do so by the other Party or the CMS;

3.3.2. without limiting the generality of clause 3.2, take all such steps and render all such assistance as may be reasonably necessary to procure that the Exemption Documentation is properly prepared and duly and timeously submitted; and

3.3.3. do everything required by the CMS, including providing all necessary information and documentation expeditiously, in order to enable the Exemption Documentation to be dealt with, to the extent that it is within its power to do so.

3.4. The Purchaser shall pay all costs of and associated with the filing of the Exemption Documentation, including any costs associated with the preparation and submission of any exposition papers to the CMS.

4. **SALE OF THE SALE SHARES**

4.1. The Seller sells to the Purchaser, and the Purchaser purchases, the Sale Shares.

4.2. Notwithstanding the Signature Date and the date upon which the Sale Shares are delivered to the Purchaser, the Sale Shares are sold with effect on and as from the Closing Date, from which date all risk in and benefits attaching to them shall be deemed to have passed to the Purchaser.

5. **PURCHASE PRICE**

The purchase price of the Sale Shares is to be determined as the Equity Value of the Company as at the Effective Date, as per the audited financial statements of the Company ("**Purchase Price**") approved by the Company board of directors.

6. **PAYMENT OF THE PURCHASE PRICE**

6.1. The Purchase Price shall be payable by the Purchaser to the Seller as follows:

6.1.1. the payment of the Purchase Price based on the Equity Value of the Company per the unaudited financial statements of the Company as at the Effective Date ("**Initial Purchase Price**") on the Closing Date against compliance by the Seller with its obligations in terms of clause 7 (*Implementation*), by way of electronic funds transfer into the bank account in South Africa nominated for this purpose by the Seller, as provided in clause 6.2; and

6.1.2. the payment of the difference between the Initial Purchase Price per clause 6.1.1 and the Purchase Price per clause 5 (*Purchase Price*) ("**Purchase Price Adjustment**"), if any, as a result of the annual financial audit of the Company provided that:

6.1.2.1. the Seller will be liable for the payment of the Purchase Price Adjustment where the Initial Purchase Price per clause 6.1.1 is greater than the Purchase Price per clause 5 (*Purchase Price*), the payment of which shall be paid by way of electronic funds transfer within 10 (ten) Business Days of the final determination of the Purchase Price Adjustment in accordance with the finalisation and signature of the annual financial statements of the Company by the Company board of directors. Payment shall be made into the account in South Africa nominated by the Purchaser in writing for this purpose; or

6.1.2.2. the Purchaser will be liable for the payment of the Purchase Price Adjustment where the Purchase Price per clause 5 (*Purchase Price*) is greater than the Initial Purchase Price per clause 6.1.1, the payment of which shall be paid by way of electronic funds transfer within 10 (ten) Business Days of the final determination of the Purchase Price Adjustment in accordance with the finalisation and signature of the annual financial statements of the Company by the Company board of directors. Payment shall be made into the account in South Africa nominated by the Seller per clause 6.2.

6.2. All payments to be effected by the Purchaser to the Seller in terms of this Agreement shall be made by way of electronic funds transfer into the following bank nominated by the Seller:

Name of account holder	Platmed
Bank	Standard Bank of South Africa Limited
Branch Code	052 646
Account number	033 146 381

6.3. The Purchaser shall pay the securities transfer tax in respect of the registration of transfer of the Sale Shares into the Purchaser's name.

7. **IMPLEMENTATION**

7.1. Subject to the fulfilment of the Condition Precedent contemplated in clause 2 (*Condition Precedent*), on the Closing Date, the Seller shall deliver (by actual or constructive delivery) to the Purchaser against compliance by the Purchaser with its obligations in terms of clause 6 (*Payment of the Purchase Price*), which it is obliged to comply with on or by the Closing Date:

7.1.1. the share certificates in respect of the Sale Shares, together with declarations for the transfer thereof in blank as to transferee, duly signed by the Seller/registered holders on a date not being more than 14 (fourteen) days before the date of delivery and otherwise complying with the provisions of the Company's memorandum of incorporation and the Securities Transfer Tax Act 25 of 2007;

7.1.2. a certified copy of a resolution passed by the directors of Platmed:

7.1.2.1. approving of the transfer of the Sale Shares to the Purchaser; and

7.1.2.2. approving the appointment of the Purchaser's nominee/s as directors;

7.1.3. such other documents as are necessary in order to enable the Purchaser to procure the registration of the Sale Shares into its name;

7.1.4. only to the extent required by the Purchaser and notified to the Seller within 10 (ten) Business Days of the Closing Date, the written resignations of the directors appointed by the Seller, public officer, secretary and other officers and auditors of the Company, all of which resignations shall be accompanied by such documents, duly completed, as required by law to be lodged with the relevant Company and/or the Companies and Intellectual Property Commission in connection with or as a result of such resignations; and

7.1.5. all the Company's books, licences, registers, records, title deeds, leases, plans and other documents of whatsoever nature save for those which are in the possession of any mortgagee of any property owned by the Company.

8. **INTERIM PERIOD**

8.1. The provisions of this clause 8 (*Interim Period*) shall not apply in the event that the Condition Precedent is fulfilled prior to or on the Effective Date.

8.2. Between the Signature Date and the Closing Date the Seller shall carry on its business in a substantially similar manner in which its business was conducted before the Signature Date.

8.3. Between the Signature Date and the Closing Date the Seller shall:

8.3.1. ensure that no transaction outside the ordinary course of trading nor any material or significant transaction within the ordinary course of trading will be carried out without the prior written consent of the Purchaser; and

8.3.2. carry on its business in the ordinary course and in addition the Seller will not, save with the prior written consent of the Purchaser:

8.3.2.1. make any distribution (as such term is defined in the Act);

8.3.2.2. borrow or lend any monies, if any such transaction exceeds R500,000 (five hundred thousand rand);

8.3.2.3. grant any suretyship, guarantee or indemnity outside the ordinary course of business;

8.3.2.4. put up any of their assets as security in any manner for any debt, where any such asset has a value of more than R500,000 (five hundred thousand rand);

8.3.2.5. enter into any agreement other than in the ordinary course of business and on arms-length terms; and/or

8.3.2.6. prepay any amounts that are not yet due; and

8.3.3. ensure that the Purchaser is granted access to the business and its books and records at any reasonable time and on reasonable notice to the Seller.

9. **WARRANTIES AND REPRESENTATIONS**

9.1. The Purchaser is expressly informed by the Seller that the Sale Shares are offered on an "as is"/*voetstoots* basis and the Purchaser agrees to accept the Sale Shares in that condition. Save as set forth in **Annexure A** (*Seller's Warranties*), no warranties or representations of any nature whatsoever have been made or given by the Seller which induced the Purchaser to enter into this Agreement and the Sale Shares are sold *voetstoots*.

9.2. The Purchaser shall not be entitled to cancel this Agreement as a consequence of a breach by the Seller of any warranty referred to in **Annexure A** (*Seller's Warranties*), unless the breach is a material breach which goes to the root of the Agreement and the breach is incapable of being remedied by being caused to cease, by the payment of compensation or otherwise or, if it is capable of so being remedied, the Seller fails so to remedy the breach within 30 (thirty) days of the receipt of written notice calling upon it to do so.

9.3. Save as aforesaid, the Purchaser shall be entitled to all the remedies available to it at law in respect of a breach of warranty.

9.4. The Purchaser gives to the Seller all the warranties and representations set out in this clause 9.4 (**"Purchaser's Warranties"**). The Seller shall not be entitled to cancel this Agreement as a consequence of a breach by the Purchaser of any of the Purchaser's Warranties, unless the breach is a material breach which goes to the root of the Agreement. The Purchaser warrants and represents to the Seller that:

9.4.1. it has the legal capacity and power to enter into and perform under this Agreement;

9.4.2. it has taken all necessary actions to authorise its entry into and the performance of its obligations in terms of this Agreement;

9.4.3. the obligations expressed to be assumed by the Purchaser, and the rights afforded to it in terms of this Agreement, are legal, valid, binding and enforceable by, and against, it;

9.4.4. it has not taken any steps and, to the best of the Purchaser's knowledge and belief, no steps have been taken or are pending or threatened by any other person in respect of the Purchaser, for its liquidation, whether provisional or final; and

9.4.5. it has, or will on the Closing Date have, the requisite funds to perform its obligations under this Agreement.

10. LIMITATION OF LIABILITY

10.1. Notwithstanding anything to the contrary in this Agreement, the Purchaser shall not have any claim against the Seller in respect of any action arising from a breach of any warranty or an indemnity in terms of this Agreement, unless the aggregate of amounts payable as a result of all such breaches exceeds 1% (one percent) of the Purchase Price. Any such claim shall be limited to the amount(s) in excess of 1% (one percent) of the Purchase Price. The maximum aggregate liability of the Seller in respect of all claims for breaches of warranties and indemnities in terms of this Agreement shall not exceed 10% (ten percent) of the Purchase Price in respect of all claims arising from all breaches of all warranties and under all indemnities in the aggregate.

10.2. No claim in terms of clause 10.1 may be instituted by the Purchaser after the expiry of 12 (twelve) months, reckoned from the Closing Date.

11. **RELEASE FROM GUARANTEES**

11.1. The Purchaser shall use its best endeavours to procure the release of the Seller from any liability which the Seller may have beyond the Closing Date under any guarantees, suretyships or indemnities which have been given by the Seller for the Company's obligations, provided that the Purchaser shall:

11.1.1. not be obliged to discharge any principal obligation or agree to any variation of the terms of any such guarantee, suretyship or indemnity nor shall it be obliged to cause the Company to discharge the principal debt; or

11.1.2. tender its own guarantee, suretyship or indemnity if that is necessary, to procure any such release.

11.2. Until the release of the Seller is procured, the Purchaser indemnifies the Seller against any liability referred to in clause 11.1. The Purchaser shall be obliged to make payment under this indemnity as soon as the Seller becomes obliged to make payment in respect of any such liability, subject to the set-off of any claim which the Purchaser might have by reason of the liability in question not having been disclosed as required in terms of this Agreement. Any amount payable hereunder will be payable together with value-added tax thereon.

12. **AGENT'S COMMISSION**

It is recorded that the sale contemplated in this Agreement was not concluded through the instrumentality of any agent.

13. **PRESS ANNOUNCEMENTS**

The Parties agree that the initial press or public announcements concerning the sale of the Sale Shares shall be approved by both the Seller and the Purchaser, which approval each undertakes shall not be unreasonably withheld.

14. **ASSIGNMENT**

Neither this Agreement nor any part, or interest therein or any rights or obligations hereunder may be ceded, delegated, assigned, or otherwise transferred by either Party without the prior written consent of the other Party, provided that either Party shall be entitled on prior written notice to the other Party to cede any or all of its rights and/or delegate any or all of its obligations under this Agreement to any company which is a subsidiary, holding company or affiliate thereof.

15. **ARBITRATION**

15.1. This clause is a separate, divisible agreement from the rest of this Agreement and shall:

15.1.1. not be or become void, voidable or unenforceable by reason only of any alleged misrepresentation, mistake, duress, undue influence, impossibility (initial or supervening), illegality, immorality, absence of consensus, lack of authority or other cause relating in substance to the rest of the Agreement and not to this clause. The Parties intend that any such issue shall be subject to arbitration in terms of this clause;

15.1.2. remain in effect even if the Agreement terminates or is cancelled.

15.2. Any dispute arising out of or in connection with this Agreement or the subject matter of this Agreement, including, without limitation, any dispute concerning:

15.2.1. the existence of the Agreement set out in this Agreement apart from this clause;

15.2.2. the interpretation and effect of the Agreement;

15.2.3. the Parties' respective rights or obligations under the Agreement;

15.2.4. the rectification of the agreement set out in this Agreement;

15.2.5. the breach, termination or cancellation of the Agreement set out in this Agreement or any matter arising out of the breach, termination or cancellation;

15.2.6. damages in delict, compensation for unjust enrichment or any other claim, whether or not the rest of the Agreement apart from this clause is valid and enforceable,

shall be decided by arbitration as set out in this clause 15 (*Arbitration*).

15.3. The Parties shall agree on the identity of the arbitrator. If agreement is not reached within 10 (ten) days after a Party in writing calls for agreement, the arbitrator shall be a practising attorney or advocate with at least 15 (fifteen) years' experience as such nominated at the request of any Party by the Chairman of the Johannesburg Bar Council for the time being.

15.4. The request to nominate an arbitrator shall be in writing outlining the claim and any counterclaim of which the Party concerned is aware and, if desired, suggesting suitable nominees for appointment, and a copy shall be furnished to the other Party who may, within 7 (seven) days, submit written comments on the request to the addressee of the request with a copy to the first Party.

15.5. The arbitration shall be held in Johannesburg and the Parties shall endeavour to ensure that it is completed within 90 (ninety) days after notice requiring the claim to be referred to arbitration is given.

15.6. The Parties irrevocably agree that, subject to clause 15.7, the decision of the arbitrator:

15.6.1. shall be binding on them;

15.6.2. shall be carried into effect; and

15.6.3. may be made an order of any court of competent jurisdiction.

15.7. Either Party to the dispute may appeal the decision of the arbitrator to an appeal panel of 3 (three) arbitrators appointed in accordance with the Commercial Arbitration Rules of the Arbitration Foundation of Southern Africa in force from time to time.

15.8. The arbitration shall be governed by the Arbitration Act 42 of 1965 and shall take place in accordance with the Commercial Arbitration Rules of the Arbitration Foundation of Southern Africa in force from time to time.

15.9. The arbitrator shall be required to give written reasons for his award.

15.10. Nothing contained in this clause 15 (*Arbitration*) shall prohibit a Party from approaching any court of competent jurisdiction for urgent interim relief pending determination of the dispute by arbitration.

16. **BREACH AND TERMINATION**

16.1. Subject to clause 16.2, should a Party commit a breach of any provision of this Agreement and fail to remedy such breach within 10 (ten) Business Days after receiving written notice requiring such remedy, then the other Party shall be entitled, without prejudice to its other rights in terms of this Agreement or in law, including any right to claim damages, to claim immediate specific performance of all of the defaulting Party's obligations then due for performance or to cancel this Agreement.

16.2. Notwithstanding clause 16.1, neither Party shall be entitled to cancel this Agreement after the Closing Date.

17. ***DOMICILIA*** **AND NOTICES**

17.1. The Parties choose as their respective *domicilia citandi et executandi* for the purpose of legal proceedings and for the purposes of giving or sending any notice provided for or necessary in terms of this Agreement, the addresses set out below:

17.1.1. **Seller**

Address: 55 Marshall Street, Marshalltown, Johannesburg
E-mail: cosec.platinum@angloamerican.com
For the attention of: the Company Secretary

17.1.2. **Purchaser**

Address: Platinum Health Building
3 Kgwebo Street
Mabe Business Park
Rustenburg

E-mail: welcome.mboniso@platinumhealth.co.za

For the attention of: the Principal Officer

17.2. Notwithstanding clause 17.1, a Party may change its *domicilium* to any other physical address or telefax number by written notice to the other Party to that effect. Such change of address will be effective 7 (seven) days after giving of notice of the change of *domicilium*.

17.3. All notices to be given in terms of this Agreement will:

17.3.1. be given in writing; and

17.3.2. be hand delivered or sent by e-mail.

17.4. All notices to be given in terms of this Agreement will:

17.4.1. if delivered by hand, be presumed to have been received on the date of delivery, if delivered to a Party's physical address before 17h00 on a Business Day, or, if delivered on a Business Day but after 17h00, or on any day other than a Business Day, the notice will be deemed to have been given at 08h30 on the first Business Day after it was delivered; or

17.4.2. on despatch, if sent to a Party's e-mail address before 17h00 on a Business Day, or, if sent on a Business Day but after 17h00, or on any day other than a Business Day, the notice will be deemed to have been given at 08h30 on the first Business Day after it was sent,

unless the contrary is proved.

17.5. Notwithstanding anything to the contrary herein contained, a written notice or communication actually received by a Party shall be an adequate written notice or communication to that Party notwithstanding that it was not sent to or delivered at that Party's chosen *domicilium citandi et executandi*.

18. **GOVERNING LAW**

The provisions of this Agreement shall be governed by and construed in accordance with the laws of South Africa.

19. **WHOLE AGREEMENT, NO AMENDMENT**

19.1. This Agreement constitutes the whole agreement between the Parties relating to the subject matter hereof and supersedes any other discussions, agreements and/or understandings regarding the subject matter hereof.

19.2. No amendment or consensual cancellation of this Agreement or any provision or term hereof or of any agreement, bill of exchange or other document issued or executed pursuant to or in terms of this Agreement and no settlement of any disputes arising under this Agreement and no extension of time, waiver or relaxation or suspension of any of the provisions or terms of this Agreement or of any agreement, bill of exchange or other document issued pursuant to or in terms of this Agreement shall be binding unless recorded in a written document signed by the Parties (or in the case of an extension of time, waiver or relaxation or suspension, signed by the Party granting such extension, waiver or relaxation). Any such extension, waiver or relaxation or suspension which is so given or made shall be strictly construed as relating strictly to the matter in respect whereof it was made or given.

19.3. No extension of time or waiver or relaxation of any of the provisions or terms of this Agreement or any agreement, bill of exchange or other document issued or executed pursuant to or in terms of this Agreement, shall operate as an estoppel against any Party in respect of its rights under this Agreement, nor shall it operate so as to preclude such Party thereafter from exercising its rights strictly in accordance with this Agreement.

19.4. To the extent permissible by law neither Party shall be bound by any express or implied term, representation, warranty, promise or the like not recorded herein, whether it induced the contract and/or whether it was negligent or not.

20. **OVERDUE INTEREST**

Any amount falling due for payment by one Party to the other in terms of or pursuant to this Agreement and not paid on due date, including any amount which may be payable as damages, shall bear interest at the prime overdraft rate of interest of the Standard Bank of South Africa Limited, such interest to be calculated on a daily basis, compounded monthly in arrears from the due date of payment until payment in full.

21. **STIPULATIO ALTERI**

No part of this Agreement shall constitute a *stipulatio alteri* in favour of any person who is not a Party to the Agreement unless the provision in question expressly provides that it does constitute a *stipulatio alteri*.

PLATMED PROPRIETARY LIMITED

Signature: ______________________

who warrants that he / she is duly authorised thereto

Name: M Poggiolini

Date: 8/10/2019

Place: Johannesburg

Witness: ______________________

Witness: ______________________

PLATINUM HEALTH MEDICAL SCHEME

Signature: ______________________

who warrants that he / she is duly authorised thereto

Name: P.W. MBONISO

Date: 21/10/2019

Place: FOURWAYS

Witness: ______________________

Witness: ______________________

Annexure A - Seller's Warranties

1. The Seller gives the warranties and make the representations ("**Warranties**") set out in this **Annexure A** (*Seller's Warranties*). Unless specifically stated otherwise, each Warranty is given as at the Signature Date and the Closing Date.

2. **Warranties related to the Seller and the Seller's title to the Sale Shares**

The Seller warrants and represents to the Purchaser that:

2.1. the Seller is the sole registered and beneficial owner of the Sale Shares and is reflected in the register of members of the Company as the owner thereof;

2.2. there are no encumbrances existing over or in respect of the Sale Shares and the Seller is entitled to dispose of the same in terms of this Agreement;

2.3. save as is otherwise expressly provided in the Agreement, the Seller does not require any approval, consent, permission or acknowledgement for sale and transfer of the Sale Shares to the Purchaser;

2.4. the Sale Shares are not the subject of any litigation and no event exists which may give rise to a claim or dispute in respect of the Sale Shares;

2.5. save as is otherwise expressly provided in the Agreement, no person has any right (including any option or right of first refusal) to acquire any of the Sale Shares;

2.6. no person has any right to obtain an order for the rectification of the register of members of the Company in respect of the Sale Shares;

2.7. entry into and performance by the Seller of the Agreement will not breach any provision of the Company's memorandum of incorporation; and

2.8. this Agreement has been duly executed and delivered by the Seller, constitutes legal, valid and binding obligations of the Seller and is enforceable against the Seller in accordance with its terms.

Annexure F

AUDITED FINANCIAL STATEMENTS FOR THE PERIOD 31ST DECEMBER 2018

Attached is the Audited Financial Statements for PHMS and RAG

PLATINUM HEALTH MEDICAL SCHEME

REGISTRATION NUMBER: 29/4/2/1583

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

PLATINUM HEALTH MEDICAL SCHEME

Registration Number: 29/4/2/1583

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS **Page**

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 2018.

1. MANAGEMENT

1.1 Board of trustees in office during the year under review

Name — ***Designation***

Employer Trustees

Mr C Smith*	Northam Platinum Mine	(appointed chairman 3 July 2018)
Mr J Mosito*	Anglo American Platinum	(term of office ended 1 June 2018)
Mr A Collier	Anglo American Platinum	(term of office ended 1 June 2018)
Dr C Mbekeni	Anglo American Platinum	
Mr P Krause	Anglo American Platinum	
Mr J Jacobs	Royal Bafokeng Platinum	(appointed 1 June 2018)
Mr P Coetzer	Royal Bafokeng Platinum	(term of office ended 1 June 2018)
Ms L Roets	Siyanda Bakgatla Platinum Mine	(appointed 31 May 2018)
Mr D McDonald	Modikwa Platinum Mine	

*Chairman of the Board of trustees

Member Trustees

Mr TM Siko	Anglo American Platinum Amandelbult	(term of office ended 1 June 2018)
Mr SS Pheto	Anglo American Platinum Amandelbult	(elected 12 April 2018)
Mr S Moatshe	Anglo American Platinum Process	(term of office ended 1 June 2018)
Mr A Mokoka	Anglo American Platinum Process	(elected 19 March 2018 resigned 7 September 2018)
Ms S Maqina	Siyanda Bakgatla Platinum Mine	(term of office ended 1 June 2018)
Mr DM Noko	Siyanda Bakgatla Platinum Mine	(elected 28 May 2018)
Mr K Kokohlabang	Anglo American Platinum Other	(elected 28 May 2018)
Mr A Makou	Northam Platinum Mine	
Ms T Segoe (nee Tau)	Royal Bafokeng Platinum	
Mr N Machumele**	Modikwa Platinum Mine	(appointed deputy chairman 3 July 2018)

** Deputy Chairman of the Board of Trustees

1. MANAGEMENT (Continued)

1.2 Trustee meeting attendance

The following schedule sets out Board of Trustee meeting attendances

	Trustee Meetings		*Audit Committee Meetings*		*Other Committee Meetings*	
	A	**B**	**A**	**B**	**A**	**B**
Employer Trustees						
Mr C Smith	5	4	2	2	3	3
Mr J Mosito	1	1	1	1	1	1
Mr A Collier	1	1	1	0	1	0
Dr C Mbekeni	5	3			3	2
Mr P Krause	5	4			3	3
Mr J Jacobs	4	3			6	4
Mr P Coetzer	1	1				
Ms L Roets	4	3	2	1	2	1
Mr D McDonald	5	0				
Member Trustees						
Mr TM Siko	1	1			4	1
Mr SS Pheto	4	2				
Mr S Moatshe	1	1			3	0
Ms S Maqina	1	0				
Mr DM Noko	4	3			4	4
Mr K Kokohlabang	4	2			2	1
Mr A Makou	5	5			3	0
Ms T Segoe (nee Tau)	5	3			6	4
Mr N Machumele	5	3	2	2*	2	2*

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

* Attended meetings as an observer

1. **MANAGEMENT** (Continued)

1.3 Principal Officer

Mr P W Mboniso
Platinum Health offices
Fourways Golf Park
Selbourne office building
Roos Street
Fourways
Johannesburg
2191

Private Bag X82081
Rustenburg
0300

1.4 Registered Office

Platinum Health Medical Scheme
175 Beyers Naude Drive
Rustenburg
0300

Private Bag X82081
Rustenburg
0300

1.5 Fund administrator

Platinum Health Medical Scheme
3 Kgwebu Street
Mabe Park
Rustenburg
0299

Private Bag X82081
Rustenburg
0300

1.6 Auditors

Ernst & Young Inc.
102 Rivonia Road
Sandton
Gauteng
2194

Private Bag X14
Sandton
2146

1.7 Investment managers

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

1.8 Independent investment advisor

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

1.9 General information

Domicile:	Registered office 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

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 two options:
- PlatComprehensive
- PlatCap

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 profit or loss.

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 18).

The assets used by the previous supplier of these services (Platmed Proprietary Limited) are being rented from them as the agreement to purchase these items has not yet been concluded. The Council for Medical Schemes has not yet approved this transaction and it is a condition precedent to the agreement to be fulfilled.

3. INVESTMENT POLICY OF THE FUND

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

The Scheme's investment objectives are to maximise the return on its investments on a long term basis at minimal risk. The Scheme's investments consist of a portfolio which is being managed by Allan Gray. The investment in the Allan Gray Life Domestic Medical Scheme Portfolio which consists of equity as well as bonds, cash and deposits, was changed to the Allan Gray Life Domestic Stable Portfolio which consists of equity, bills, bonds 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 Medical Scheme 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. Due to the fact that biometric identification is deployed the risk to the scheme is significantly reduced.

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

5. REVIEW OF THE YEAR'S ACTIVITIES

5.1 Operational Statistics

	2018 All Options	2018 Plat Comprehensive	2017 All Options	2017 Plat Comprehensive
Number of members at year end	62 005	58 203	60 532	57 027
Average number of members for the year *	59 807	56 114	60 938	57 249
Average administration and managed care costs incurred per beneficiary per month	R74	R74	R64	R63
Average accumulated funds per member at 31 December	R6 716	R6 803	R6 055	R6 153
Dependant ratio as at 31 December	1:0.655	1:0.693	1:0.610	1:0.643
Non-healthcare expenses as a percentage of gross contributions	6%	6%	7%	7%
Average number of beneficiaries during the accounting period	98 975	94 996	98 200	94 260
Number of beneficiaries at year end	105 121	101 036	97 437	93 694
Net contributions per average beneficiary per month *	R1 196	R1 206	R1 103	R1 114
Relevant healthcare expenditure per average beneficiary per month *	R1 098	R1 110	R1 034	R1 046
Non-healthcare expenditure per average beneficiary per month *	R77	R77	R66	R66
Relevant healthcare expenditure as a percentage of gross contributions	92%	92%	94%	94%
Average age of beneficiaries at 31 December	31.82	31.52	32.47	32.21
Return on investments as a percentage of investments	3.66%	3.66%	10.63%	10.63%
Pensioners ratio at 31 December	1.53%	1.59%	1.83%	1.90%%

	2018 PlatCap	2017 PlatCap
Number of members at year end	3 802	3 505
Average number of members for the year *	3 693	3 688
Average administration and managed care costs incurred per beneficiary per month	R73	R73
Average accumulated funds per member at 31 December	R5 379	R4 465
Dependant ratio as at 31 December	1:0.077	1:0.068
Non-healthcare expenses as a percentage of gross contributions	8%	9%

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

5.1 Operational Statistics (Continued)

	2018 PlatCap	2017 PlatCap
Average number of beneficiaries during the accounting period	3 978	3 940
Number of beneficiaries at year end	4 085	3 743
Net contributions per average beneficiary per month *	R964	R839
Relevant healthcare expenditure per average beneficiary per month *	R806	R744
Non-healthcare expenditure per average beneficiary per month *	R76	R75
Relevant healthcare expenditure as a percentage of gross contributions	84%	89%
Average age of beneficiaries at 31 December	39.16	39.17
Return on investments as a percentage of investments	3.66%	10.63%
Pensioners ratio at 31 December	0.05%	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 Scheme are set out in the annual 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:

	2018 R	2017 R
Members' funds per the statement of financial position	416 411 040	366 525 806
Less: Cumulative unrealised net (gain) on re-measurement to fair value of financial instruments **	-	(37 237 129)
Accumulated funds per Regulation 29	416 411 040	329 288 677
Gross contributions	1 420 717 815	1 299 548 931
Solvency margin (Accumulated funds/Gross annual contribution income x 100)	29%	25%

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

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

5.3 Solvency margin (Continued)

	2018 R	2017 R
Net cumulative unrealised gains opening balance	(37 237 129)	(21 500 293)
Less: Realised profit on change in pooled investment portfolios at Allan Gray	37 237 129	-
Add: Unrealised loss / (gains) on re-measurement to fair value of financial instruments	10 890 724	(15 736 836)
Cumulative net unrealised loss / (gain) on re-measurement to fair value of investments included in accumulated funds	10 890 724	(37 237 129)

5.4 Members Funds

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

5.5 Outstanding Claims

The basis of calculation of the outstanding claims provision is disclosed in note 8 of the annual financial statements and this basis is consistent with the prior year. Movements on the outstanding claims provision are set out in note 8.

6. ACTUARIAL VALUATION

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

7. SUBSEQUENT EVENTS

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

8. PROPOSED ACQUISITION OF RA GILBERT PROPRIETARY LIMITED

The Scheme had entered into an agreement on 12th December 2017 with Platmed Proprietary Limited to purchase its subsidiary company, RA Gilbert Proprietary Limited, a company rendering pharmacy services mainly to the Scheme, Platmed Proprietary Limited and Impala Medical Scheme. The Council for Medical Schemes still has to approve the acquisition of the company which approval is a condition precedent in the contract. The Competitions Commission has already approved the sale of the business which approval was also a condition precedent in the contract.

9. TRUSTEES' REMUNERATION AND EXPENSES

Trustees are not remunerated for their services, other than disbursements for attending conferences, training and consulting fees for one trustee attending to the legal matters of the Scheme. An attendance and cell phone allowance is paid for those trustees who opted for this allowance. The disbursements, allowances and consulting fees for the year are R340 358 (2017: R430 788).

10. FIDELITY COVER

The Scheme has fidelity cover in place and the premiums are fully paid up. The Health Professionals employed by the Scheme are covered for any claims with regard to services rendered by them. The premium is fully paid and in place until 30 June 2019.

11. SERVICES PROVIDED BY A THIRD PARTY

The cash management, internal audit, information technology, insurance, creditors, procurement and employee services functions of the Scheme are provided by Anglo American. The scheme is currently in the process of insourcing these services which should be completed by the end of 2019.

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 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:

	2018	2017
• Northam Platinum Limited	R2 565 902	R 600 299
• Royal Bafokeng Platinum Limited	R1 510 409	-
• African Rainbow Minerals Limited	R289 151	-

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

	2018	2017
• Liberty Holdings	R3 136 729	R 1 395 807
• MMI Holdings Ltd	R3 333 822	R 3 353 229
• Old Mutual	R3 310 508	R 7 533 051

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 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 12 months, commencing 1 April 2018.

(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 2018, there were contribution debtors outstanding for more than 30 days to the amount of R4 140 579 (2017: R2 946 223). This amount represents less than 1% of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Medical Schemes Act.

Possible impact of non-compliance

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

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

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

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

(3) 25 % Solvency margin

Nature *and cause of non-compliance*

In terms of the Medical Schemes Act and Regulations, subject to regulation 29, sub-regulation (3), and (3A) and (4), a Medical Scheme must maintain accumulated funds expressed as a percentage of gross annual contributions for the accounting period under review of not less than 25%. During the year the solvency ratio was below 25% from January to March, and for the remainder of the year the Scheme had reached a solvency of 25% and above as planned.

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

A projected business plan compiled by Insight Actuaries and Consultants, indicating that the solvency ratio will be above 25% in 2018 was submitted as part of the feedback required from CMS regarding the declining pattern of PHMS's solvency ratio. The business plan was approved by CMS, Memo dated 1 June 2016. The Council for Medical Schemes has been monitoring the Schemes financial performance on a monthly basis until the end of 2018 although the solvency reached 25% from April 2018.

13. RELATED PARTY TRANSACTIONS

Refer to related party disclosure in note 27 of the annual financial statements.

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

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

15. AUDIT COMMITTEE

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

The majority of the members, including the chairperson, are independent of the Scheme. The Committee met on 27 March 2018, 3 August 2018 and 13 November 2018.

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

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

15. AUDIT COMMITTEE (Continued)

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 Annual Financial Statements

The Audit Committee comprises of the following:		Meetings Attended
Mr J B Martin	(Independent Chairperson)	3 of 3
Mr P Fernandes	(Independent)	3 of 3
Mr J Mosito	(Trustee) (term of office ended 1 June 2018)	1 of 1
Mr I Catt	(Independent)	3 of 3
Mr C Smith	(Trustee)	2 of 2
Mr A Collier	(Trustee) (term of office ended 1 June 2018)	0 of 1
Mrs L Roets	(Trustee)	1 of 2

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 27 March 2018, 3 August 2018 and 13 November 2018.

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

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

The mandate of the committee is to ensure that:

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

The Committee during the year comprised of the following:		Meetings Attended
Mr A Collier	(Chairperson Trustee) (term of office ended 1 June 2018)	0 of 1
Mr C Smith	(Chairperson Trustee elected 3 August 2018)	2 of 2
Mr C Buchanan	(Independent Advisor)	3 of 3
Mr J Mosito	(Trustee) (term of office ended 1 June 2018)	1 of 1
Mr A Makou	(Trustee)	0 of 3
Mrs L Roets	(Trustee)	1 of 2

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 Committee comprises of the following members:

		Meetings Attended
Mr P Krause	(Chairperson Trustee)	3 of 3
Mr C Smith	(Trustee)	1 of 1

The Committee met on 9 March 2018, 8 June 2018 and 7 November 2018.

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 should consist of at least three members of which at least two must be members of the Board of Trustees based on The Rules of the Scheme and should have comprehensive Human Resources or Finance background. Proficiency in remuneration and benefits will be a pre-requisite. The Scheme is in the process of appointing a further member to the Committee.

18. GOING CONCERN

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

The Board of Trustees are of the opinion that the annual financial statements fairly present the financial position of the Scheme as at 31 December 2018, and the results of its operations and cash flow information for the year then ended.

Chairperson
Mr C Smith

12 April 2019
Johannesburg

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements of Platinum Health Medical Scheme. The annual financial statements presented on pages 19 to 76 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Schemes Act 131 of 1998, as amended, of South Africa, and include amounts based on judgement and estimates made by management.

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

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

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

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

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

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

The annual financial statements were approved by the Board of Trustees on 12 April 2019 and are signed on its behalf by:

Chairperson **Mr C Smith**	**Trustee** **Mr J Jacobs** 23/4/19.	**Principal Officer** **Mr P W Mboniso** 23/04/2019

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

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

BOARD OF TRUSTEES

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

INTERNAL CONTROLS

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

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

Chairperson **Mr C Smith**	**Trustee** **Mr J Jacobs** 23/4/19.	**Principal Officer** **Mr P W Mboniso** 23/04/2019

12 April 2019

Building a better
working world

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Platinum Health Medical Scheme, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Platinum Health Medical Scheme as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of 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 Financial Statements section of our report. We are independent of the Platinum Health Medical Scheme 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 in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). 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 have determined that there are no key audit matters to communicate in our report.

Other information

The Trustees are responsible for the other information. The other information comprises the Board of Trustee's Report. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion

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or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Fund's Trustees for the financial statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the Trustees determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Fund'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 either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Fund'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

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

Audit tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that EY has been the auditor of the Platinum Health Medical Scheme for 17 years.

The engagement partner, Pierre Du Plessis, has been responsible for Platinum Health Medical Scheme's audit for 7 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Pierre Du Plessis
Registered Auditor
Chartered Accountant (SA)
Date: 23 April 2019
Cape Town

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 R	2017 R
ASSETS			
Non-current assets			
Plant and equipment	2	8 664 139	5 787 132
Current assets		613 101 001	489 367 454
Trade and other receivables	3	53 384 902	29 975 176
Pharmaceutical inventories		348 476	638 623
Investments held at fair value through surplus or deficit	4	325 213 563	314 679 866
Cash and cash equivalents	5	234 154 060	144 073 789
Total assets		621 765 140	495 154 586
FUNDS AND LIABILITIES			
Members' Funds			
Accumulated funds		416 411 040	366 525 806
Non-current liabilities			
Long term incentive scheme	6	19 784 885	8 235 211
Current liabilities		185 569 215	120 393 569
Trade and other payables	7	128 776 595	60 915 941
Outstanding claims provision	8	40 000 000	46 000 000
Provisions	9	16 792 620	13 477 628
Total funds and liabilities		621 765 140	495 154 586

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 R	2017 R
Gross contribution income	11	1 420 717 815	1 299 548 931
Relevant healthcare expenditure		(1 303 683 114)	(1 218 650 539)
Net claims incurred	12	(1 302 071 687)	(1 218 178 909)
- Claims incurred		(1 303 558 626)	(1 218 895 432)
- Third party claim recoveries		1 486 939	716 523
Net loss on risk transfer arrangements	13	(1 611 427)	(471 630)
- Risk transfer arrangement fees/premiums paid		(11 479 398)	(10 276 092)
- Recoveries from risk transfer arrangements		9 867 971	9 804 462
Gross healthcare result		117 034 701	80 898 392
Managed care: management services	14	(11 648 472)	(13 496 222)
Administration expenses	16	(76 114 143)	(61 588 457)
Net impairment losses on healthcare receivables	15	(305 576)	(792 671)
Net healthcare result		28 966 510	5 021 042
Other income		413 951 840	306 077 542
Investment income	17	31 363 481	26 770 811
Interest received on savings option trust account	17	-	1 569
Income from use of own facilities	18	382 429 089	263 493 001
Fair value adjustment of investments held at fair value through surplus or deficit	4	-	15 736 836
Net impairment loss recovery		30 709	
Sundry revenue		128 561	75 325
Other expenditure		(393 033 116)	(254 467 291)
Cost incurred in provision of own facilities	18	(376 674 487)	(251 691 300)
Fair value adjustment of investments at fair value through surplus or deficit	4	(10 890 724)	-
Finance costs	20	(2 281 220)	(910 042)
Interest paid on savings liability	20	-	(1 569)
Loss on scrapping of assets		(1 119 889)	-
Sundry expenses		(8 151)	-
Asset management fees	22	(2 058 645)	(1 864 380)
Net surplus for the year		49 885 234	56 631 293
Other comprehensive income		-	-
Total comprehensive income for the year		49 885 234	56 631 293

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Members' Funds R
Balance at 31 December 2016	309 894 513
Total comprehensive income for the year	56 631 293
Balance at 31 December 2017	366 525 806
Total comprehensive income for the year	49 885 234
Balance at 31 December 2018	416 411 040

PLATINUM HEALTH MEDICAL SCHEME

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 R	2017 R
Net cash inflow from operating activities			
Cash generated by operations	23	87 795 755	18 595 934
Cash received from members		1 425 483 797	1 317 959 392
Cash paid to suppliers and employees		(1 337 688 042)	(1 299 363 458)
Net cash inflow from investing activities		2 284 516	6 171 547
Purchase of plant and equipment	2	(5 761 513)	(764 030)
Interest paid	20	-	(1 569)
Interest received on bank accounts	17	7 857 882	6 937 146
Proceeds on sale of assets		188 147	-
Interest received on investments	17	16 291 225	14 637 723
Income received on real estate investment unit trusts	23	798	2 544
Dividends received on investments	17	4 765 815	4 346 652
Proceeds on disposal of investments to pay management fees	4	2 058 645	1 864 380
Management fee paid	4	(2 058 645)	(1 864 380)
Costs incurred in maintaining the investment	4	(23 331)	(16 497)
Net investment income capitalised	4	(21 034 507)	(18 970 422)
Net increase in cash and cash equivalents		90 080 271	24 767 481
Cash and cash equivalents at beginning of year		144 073 789	119 306 308
Cash and cash equivalents at end of year		234 154 060	144 073 789

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The annual financial statements set out on pages 19 to 75 are prepared in accordance with, and comply with International Financial Reporting Standards (IFRS), Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Medical Schemes Act, 1998 as amended. The annual financial statements are prepared on the historical cost basis unless specifically stated otherwise in the accounting policies. The annual financial statements are presented in Rands, the functional currency of the Scheme, and all values are rounded to the nearest Rand. The annual financial statements are prepared on a going concern basis.

1.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year

Standards or Interpretations issued but not yet effective

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

Standard/ Interpretation	Pronouncement	Effective Date
IFRS 17 Insurance Contracts	**Key requirements** The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. 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: • 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 The main features of the new accounting model for insurance contracts are, as follows: • 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 profit or loss 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 profit or loss over the remaining contractual service period.	1 January 2022

1. **ACCOUNTING POLICIES (Continued)**

1.2 Changes in accounting policies (Continued)

Standard/ Interpretation	Pronouncement	Effective Date
IFRS 17 Insurance Contracts	•The effect of changes in discount rates will be reported in either profit or loss 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 **Impact** Platinum Health Medical Scheme is still in the process of assessing the impact of IFRS 17.	1 January 2022
IFRS 16 Leases	**Key requirements** The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate	1 January 2019

1. **ACCOUNTING POLICIES (Continued)**

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

Standard/ Interpretation	Pronouncement	Effective Date
IFRS 16 Leases	used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. **Impact** Platinum Health Medical Scheme are still in the process of assessing the impact of IFRS 16.	1 January 2019

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

Impact of standards issued on or from 1 January 2018 and adopted by the Scheme

The scheme adopted IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers on 1 January 2018. As reported previously, the adoption of these standards has an immaterial impact on the Scheme.

IFRS 9 Financial instruments have been implemented on the modified retrospective method. There have been no changes between the carrying value of assets and liabilities based on the IAS 39 closing balance to the IFRS 9 opening balance as no changes to the classification of assets and liabilities were done.

IFRS 15 Revenue from contracts with customers has no direct impact on the accounting or disclosure of revenue of the Scheme. Revenue is recognised when received as the insurance period has been attained and provision for revenue is made accordingly if payments have not been received by the due date. Impairment of receivables are reviewed, and adequate provision has been made for impaired assets as at the reporting date. The obligations of the scheme to its members have been met and sufficient provisions been made for external party liability for services rendered not yet recorded.

1. ACCOUNTING POLICIES (Continued)

1.3 Significant accounting judgements, estimates and assumptions

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

Judgements

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

Estimates and assumptions

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

Expected impairment of trade and other receivables

The process of identifying expected credit losses in trade and other 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.

Outstanding claims

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

1.4 Provisions

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

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

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

Other provisions

Certain provisions require estimation in determining the amount to be represented on the statement of financial position.

1. ACCOUNTING POLICIES (Continued)

1.4 Provisions (Continued)

Outstanding claims provision

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

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

Estimated co-payments and payments from savings plan accounts are deducted in calculating the outstanding claims provision.

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

Leave pay provision

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

Holiday leave allowance provision

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

1.5 Contributions

Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. The earned portion of net contributions received is recognised as revenue. Net contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. Net 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 savings plan accounts and after taking into account recoveries from third parties.
- claims for services rendered during the previous year not included in the outstanding claims provision for that year, net of recoveries from members for co-payments;
- claims settled in terms of risk transfer arrangements;
- charges for managed health care: healthcare services (excluding risk transfer arrangements) and
- services rendered to members from the Scheme's own facilities.

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

1. ACCOUNTING POLICIES (Continued)

1.7 Risk transfer arrangements

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

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

Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. Claim recoveries under the risk transfer arrangement are determined by reports received from the service providers with all services rendered during the period.

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

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

Amounts recoverable under risk transfer arrangements are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Scheme may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Scheme will receive under the risk transfer arrangement.

1.8 Insurance contracts

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

1.9 Liabilities and related assets under liability adequacy test

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

1.10 Own facility

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

1. ACCOUNTING POLICIES (Continued)

1.11 Financial instruments

Financial assets

Initial recognition

Financial assets within the scope of IFRS 9 are classified as either financial assets at fair value through surplus or deficit 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 surplus or deficit, includes directly attributable transactions costs.

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

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

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

Subsequent measurement

Financial assets at fair value through surplus or deficit

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

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

Impairment of financial assets

In terms of IFRS 9 the scheme adopted the loss allowance of 12 months estimated credit loss due to the short-term maturity of its assets. The Scheme assesses 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.

1. ACCOUNTING POLICIES (Continued)

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

De-recognition of financial assets

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value.

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

1. ACCOUNTING POLICIES (Continued)

1.11 Financial instruments (Continued)

Derecognition

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

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

Fair value of financial instruments

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

Offsetting of financial instruments

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

1.12 Cash and cash equivalents

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

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

1.13 The Road Accident Fund

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

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

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

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

1. ACCOUNTING POLICIES (Continued)

1.14 Managed healthcare: management services

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

1.15 Operating leases

Operating lease payments are recognised as an expense in surplus or deficit on a straight-line basis over the full term of the lease.

1.16 Investment income

Investment income comprises interest on call, current accounts, and fixed deposits, investment held at fair value through surplus or deficit and dividends.

Interest income is recognised using the effective interest rate method.

1.17 Retirement contributions

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

1.18 Finance costs

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

1.19 Allocation of income and expenses to options

The following items are directly allocated to benefit options:

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

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

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

1.20 Taxation

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

1.21 Management fees

Management fees comprise management services rendered by the scheme to related parties (refer to note 27). Management fee income is recognised as income when rendered.

1. **ACCOUNTING POLICIES (Continued)**

1.22 Long term incentive scheme

Long term incentive scheme comprises provisions for incentives calculated based on specific criteria to be met and is payable on certain conditions. Long term incentive costs are recognised and accounted for over the vesting period (refer to note 6 of the annual financial statements).

1.23 Plant and equipment

Computer hardware, motor vehicles and 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
- Vehicles — 4 years
- Office equipment — 5 years
- Furniture and fittings — 6 years
- Plant and equipment — 5 to 10 years

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

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

1.24 Pharmaceutical inventories

Inventories comprise merchandise and are stated at the lower of cost and 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.

2. PLANT AND EQUIPMENT

	2018 Cost R	2018 Accumulated depreciation R	2018 Carrying value R	2017 Cost R	2017 Accumulated depreciation R	2017 Carrying value R
Computer hardware	1 838 682	(1 086 019)	752 663	1 171 541	(1 163 302)	8 239
Plant and equipment	9 398 256	(2 655 580)	6 742 676	7 373 574	(2 233 695)	5 139 879
Office equipment	70 765	(11 066)	59 699	58 394	(17 385)	41 009
Furniture and fittings	38 900	(3 782)	35 118	-	-	-
Motor vehicles	3 925 113	(2 851 130)	1 073 983	2 908 123	(2 310 118)	598 005
	15 271 716	(6 607 577)	8 664 139	11 511 632	(5 724 500)	5 787 132

Reconciliation of carrying value of plant and equipment

	Carrying value at beginning of year R	Additions R	Disposals R	Depreciation R	Carrying value at end of year
2018					
Computer hardware	8 239	1 151 207	(277 891)	(128 892)	752 663
Plant and equipment	5 139 879	3 498 047	(1 010 398)	(884 852)	6 742 676
Office equipment	41 009	46 679	(10 864)	(17 125)	59 699
Furniture and fittings	-	48 590	(8 883)	(4 589)	35 118
Motor vehicles	598 005	1 016 990	-	(541 012)	1 073 983
	5 787 132	5 761 513	(1 308 036)	(1 576 470)	8 664 139
2017					
Computer hardware	23 670	-	-	(15 431)	8 239
Plant and equipment	5 099 030	739 944	-	(699 095)	5 139 879
Office equipment	24 587	24 086	-	(7 664)	41 009
Motor vehicles	1 076 155	-	-	(478 150)	598 005
	6 223 442	764 030	-	(1 200 340)	5 787 132

	2018 R	2017 R
3. TRADE AND OTHER RECEIVABLES		
Insurance receivables		
Contributions outstanding	21 484 988	4 765 982
Less: Allowance for impairment losses	(959 019)	(701 817)
- Allowance for impairment losses at beginning of year	(701 817)	(516 450)
- Increase in allowance for the year (Note 15)	(257 202)	(185 367)
- Utilised	48 373	607 304
- Raised	(305 576)	(792 671)
	20 525 969	4 064 165
Non-insurance receivables	32 858 933	25 911 011
Trade and discount receivables	24 407 565	15 784 398
Deposits	962 017	641 515
Accrued interest on bank balances	836 732	571 541
Prepayments	1 086 239	2 369 955
Share of other risk transfer arrangements for outstanding claims	982 835	866 964
Platmed Proprietary Ltd	4 583 545	5 632 858
Platmed Properties Proprietary Ltd	-	43 780
	53 384 902	29 975 176

At 31 December 2018 and 2017 the carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets.

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

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

Non-insurance receivables inclusive of related party balances have been considered for impairment and are fully recoverable and therefore no provision for impairment has been made.

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 impact of IFRS 9 on the allowance for impairment losses is immaterial and no significant changes were made.

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. Share of other risk transfer arrangements for outstanding claims is utilised in the following month and forms part of the profit or loss of the risk transfer of the following year.

	2018 R	2017 R
4. INVESTMENTS HELD AT FAIR VALUE THROUGH SURPLUS OR DEFICIT		
Designated upon initial recognition		
Fair value at the beginning of the year	314 679 866	280 986 129
Asset management fee	(2 058 645)	(1 864 380)
Cost incurred in maintaining the investment	(23 331)	(16 497)
Investment income re-invested before cost incurred in maintaining the investment	21 057 838	18 986 919
Realised gain on disposal of investments (note 17)	2 448 559	850 859
Fair value adjustment (Include equity, bills bonds and debentures and cash and deposits)	(10 890 724)	15 736 836
Fair value at the end of the year	325 213 563	314 679 866
The investments included above represent investments in:		
Bills bonds and debentures	111 521 918	95 973 180
Equity	116 245 673	118 920 747
Cash and deposits	97 445 972	99 785 939
Fair value at the end of the year	325 213 563	314 679 866

Investments are managed on a fair value basis hence the investments have been designated at initial recognition at fair value through surplus or deficit. 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 3.91% (2017: 12.00%).

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

2018	*Level 1 R'000*	*Level 2 R'000*	*Level 3 R'000*	*Reclassification R'000*
Financial assets at fair value through Surplus or Deficit				
- Bonds	111 521 918		-	-
- Equity	116 245 673	-	-	-
- Cash and deposits	97 445 972	-	-	-
Total	325 213 563	-	-	-

4. INVESTMENTS HELD AT FAIR VALUE THROUGH SURPLUS OR DEFICIT (Continued)

Fair values of financial assets by hierarchy level (Continued)

Assets measured at fair value

2017	*Level 1* *R'000*	*Level 2* *R'000*	*Level 3* *R'000*	*Reclassification* *R'000*
Financial assets at fair value through Surplus or Deficit				
- Bonds	95 973 180	-	-	-
- Equity	118 920 747	-	-	-
- Cash and deposits	99 785 939	-	-	-
Total	314 679 866	-	-	-

The definitions of the level categorisation are as follows:

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

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

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

5. CASH AND CASH EQUIVALENTS

	2018 R	2017 R
Call accounts	80 492 964	75 544 680
Current accounts	153 572 556	68 529 109
Petty cash	88 540	-
Cash and cash equivalents as per statement of cash flows	234 154 060	144 073 789

The call accounts are available on demand.

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

The weighted average effective interest rate on call accounts was 6.39% (2017: 6.64%) and on current accounts was 3.39 (2017: 3.66%).

At 31 December 2018 and 2017, the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

6. LONG TERM INCENTIVE SCHEME

	2018 R	2017 R
Provision for long term incentive scheme (LTIS)		
Balance at beginning of the year	8 235 211	4 189 459
Provided during the year	22 317 779	6 643 835
Payable within 1 year (Note 7 incentive bonus liability)	(10 768 105)	(2 598 083)
Balance at end of the year	19 784 885	8 235 211

The long-term incentive scheme (LTIS) is a retention benefit payable to qualifying employees who are employed by the scheme when the benefits vest. Each annual LTIS allocation provision amount will be retained for a period of 3 years, where after it will become payable to qualifying participants. The calculation of the LTIS is based on the short-term incentive bonus (Note7) and is influenced by a sliding scale applicable to the grading level of each qualifying participant. The unrecognised portion of LTIS which has not yet vested amounts to:

	2018 R	2017 R
2016 portion not yet recognised	-	1 905 823
2017 portion not yet recognised	5 330 385	7 849 255
2018 portion not yet recognised	15 565 032	-
Total amount not yet recognised	20 895 417	9 755 078

7 TRADE AND OTHER PAYABLES

	2018 R	2017 R
Insurance liabilities	34 339 737	19 733 772
Net contribution received in advance	-	39 821
Unallocated deposits: Employer group	4 128 333	5 751 147
: Pensioners contributions received in advance	3 275 493	2 901 703
Reported claims not yet paid	25 953 076	10 174 137
- Balance at the beginning of the year	10 174 137	14 440 841
- Claimed during the year (Note 12)	980 957 717	981 084 700
- Paid during the year	(965 178 778)	(985 351 404)
Accrual for outstanding claims under other risk transfer arrangements	982 835	866 964
Non-insurance liabilities	94 436 858	41 182 169
Other payables and accrued expenses	18 984 418	4 003 024
Payroll creditors	5 654 019	4 061 170
Short term incentive bonus liability	42 856 392	22 884 274
Long term incentive bonus liability payable within one year (refer note 6)	10 768 105	2 598 083
South African Revenue Services – VAT	827 433	647 631
Payment received in advance under capitation fee services	3 161 494	-
RA Gilbert Proprietary Limited	12 130 623	6 987 987
Platmed Properties Proprietary Limited	54 374	-
Total trade and other payables	128 776 595	60 915 941

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

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

8. OUTSTANDING CLAIMS PROVISION

	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
2018	**R**	**R**
Provision for outstanding claims		
- Incurred but not yet reported	982 835	39 017 165
Analysis of movements in outstanding claims		
Balance at beginning of year	866 964	45 133 036
Payments in respect of prior year	(866 964)	(41 899 132)
Over provision in prior year	-	3 233 904
Adjustment for current year	982 835	35 783 261
Balance at end of year	982 835	39 017 165
Analysis of outstanding claims provision		
Estimated gross claims	982 835	40 000 000
Outstanding claims provision relating to risk transfer arrangement	-	(982 835)
Balance at end of year	982 835	39 017 165
Net exposure in respect of outstanding claims		
Gross outstanding claims	982 835	40 000 000
Less: Estimated recoveries from risk transfer arrangements	-	(982 835)
Net outstanding claims	982 835	39 017 165
2017	**R**	**R**
Provision for outstanding claims		
- Incurred but not yet reported	866 964	45 133 036
Analysis of movements in outstanding claims		
Balance at beginning of year	773 173	43 226 827
Payments in respect of prior year	(773 173)	(45 640 962)
Under provision in prior year	-	(2 414 135)
Adjustment for current year	866 964	47 547 171
Balance at end of year	866 964	45 133 036
Analysis of outstanding claims provision		
Estimated gross claims	866 964	46 000 000
Outstanding claims provision relating to risk transfer arrangement	-	(866 964)
Balance at end of year	866 964	45 133 036
Net exposure in respect of outstanding claims		
Gross outstanding claims	866 964	46 000 000
Less: Estimated recoveries from risk transfer arrangements	-	(866 964)
Net outstanding claims	866 964	45 133 036

8. OUTSTANDING CLAIMS PROVISION (Continued)

Process used to determine the assumptions

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

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

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

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

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

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

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

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

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected claims ratios for the most recent benefit years for the in-hospital, chronic and above threshold categories of claims. These are used for assessing the outstanding claims provision for the 2018 and 2017 benefit years. The expected claims ratio assumed for the benefit years 2018 and 2017 is 38% & 39% for in-hospital, 21% & 21% for chronic 7% & 7% for above threshold benefits. The percentage calculated is the actual year to date cost per category as a percentage of the actual year to date of all healthcare expenses.

8. **OUTSTANDING CLAIMS PROVISION** (Continued)

Changes in assumptions and sensitivities to changes in key variables

The table below outlines the sensitivity of insured liability estimates for reasonable possible movements in assumptions used in the estimation process. It should be noted that this is a deterministic approach with no correlations between the key variables.

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of and reasonable changes to that variable in the future may be required.

The Scheme believes that the liabilities for claims reported in the statement of financial position are adequate. The sensitivity of the liability is limited, as it comprises 87.74% (2017: 88.98%) of actual 2018 claims processed from January 2019 to March 2019 which relate to 2018 claims processed in 2019. Therefore, the remaining balance has variables considered to be immaterial and no impact has been assessed for significant changes to these variables. However, should the materiality level of an individual variable change, assessment of and reasonable changes to that variable in the future may be required.

	Change in variable	*Change in liability*	
		2018	*2017*
	%	*R*	*R*
In-hospital benefits: 39% (2017: 39%)	1	4 110 339	4 232 084
Specialist costs: 12% (2017: 12%)	1	1 351 763	1 282 630
Pharmaceutical and Chronic medicine costs: 21% (2017: 21%)	1	2 303 069	2 278 481
Clinical Pathology: 7% (2017: 8%)	1	803 228	790 698
Average claims for the Scheme	1	1 092 270	999 167
Manual claims (transactions) as a % of total claims (transactions)		8.85%	10.52%

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

9. **PROVISIONS**

	Leave pay	**Holiday leave allowance**	**Total**
	R	**R**	**R**
2018			
Balance at beginning of the year	10 474 383	3 003 245	13 477 628
Net accumulated / (utilised) during the year	3 527 264	(212 272)	3 314 992
Balance at the end of the year	14 001 647	2 790 973	16 792 620
2017			
Balance at beginning of the year	11 509 187	3 985 926	15 495 113
Net utilised during the year	(1 034 804)	(982 681)	(2 017 485)
Balance at the end of the year	10 474 383	3 003 245	13 477 628

9. PROVISIONS (Continued)

Leave pay

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

Holiday leave allowance

Holiday leave allowance (HLA) represents the accumulated leave bonus that all the employees have due to them at the end of the financial year. HLA is measured on the basis of one month's salary. This allowance is only payable once an employee takes 10 consecutive days compulsory leave within an 18 months period from date of appointment or on anniversary of date of appointment.

10. SAVINGS PLAN LIABILITY

	2018 R	2017 R
Balance of savings plan liability at the beginning of the year	-	380 770
Add: Interest received on savings account (refer note 20)	-	1 569
Less: Claims paid to and on behalf of members (refer note 12)	-	(5 320)
Refunds to members on discontinuation of membership	-	(377 019)
Balance of savings plan liability at the end of the year	-	-

No provisions for outstanding claims on savings accounts are taken into consideration when calculating the schemes liability under outstanding claims provisions (refer note 8). The savings plan came to an end as at 31 December 2016. All amounts owed to members were refunded.

11. GROSS CONTRIBUTION INCOME

	2018 R	2017 R
Gross contributions	1 420 717 815	1 299 548 931

	2018 R	2017 R
12. NET CLAIMS INCURRED		
Claims incurred, excluding claims incurred in respect of risk transfer arrangements		
Current year claims	982 569 144	981 556 329
Services provided to members in own facilities (refer note 18)	268 396 301	178 834 324
Accredited managed care – healthcare services	3 708 045	3 572 601
Movement in outstanding claims provision	39 017 165	45 133 036
- Over / (under) provision in prior year	3 233 904	(2 414 135)
- Adjustment for current year	35 783 261	47 547 171
Less: Claims paid/charged to the savings plan (refer note 10)	-	(5 320)
	1 293 690 655	1 209 090 970
Claims incurred in respect of risk transfer arrangements		
Current year claims incurred in respect of risk transfer arrangements	8 885 136	8 937 498
Movement in outstanding claims provision		
- Adjustment for current year (refer note 8)	982 835	866 964
	9 867 971	9 804 462
Third party claims recovery (Road Accident Fund)	(1 486 939)	(716 523)
Net claims incurred	1 302 071 687	1 218 178 909

	2018 R	2017 R
13. NET LOSS ON RISK TRANSFER ARRANGEMENTS		
Rustenburg Specialists	1 611 427	471 630
Premiums paid to Rustenburg Specialists	11 479 398	10 276 092
Less: Rustenburg Specialists services at Scheme rates (claims figures received directly from service provider)	(9 867 971)	(9 804 462)
Loss on risk transfer arrangements	1 611 427	471 630

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 profit or loss.

14. MANAGED CARE: MANAGEMENT SERVICES

	2018 R	2017 R
External		
Knowledge Objects – Clinical audits	747 360	623 044
Medikredit – Pharmaceutical protocols, formularies and hospital audits	3 071 543	5 670 766
	3 818 903	6 293 810
Internal		
Development, implementation and management of agreements with provider networks and providers	2 740 349	2 520 844
Claims management services	782 957	720 241
Disease management	782 957	720 241
HIV management	391 478	360 121
Disease/prescribed minimum benefit	391 478	360 121
Managed hospital care	782 957	720 241
Contracted network primary health care and specialist services	391 478	360 121
Oncology utilisation management	782 957	720 241
Psychiatric and phycology benefit management	156 592	144 048
Radiology management services	391 478	360 121
Service provider negotiations and management	156 592	144 048
Optical management	78 296	72 024
	7 829 569	7 202 412
Total Managed Care – Management Services	11 648 472	13 496 222

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

15. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES

	2018 R	2017 R
Contributions not collectable		
Movement in provision (note 3)	(257 202)	(185 367)
Impairment loss recognised directly to statement of comprehensive income	(48 374)	(607 304)
	(305 576)	(792 671)

16. ADMINISTRATION EXPENSES

	2018 R	2017 R
Scheme		
Accommodation	3 095 940	2 233 516
Administration salaries	40 822 598	33 016 804
Advertising marketing and promotions costs	2 309 266	2 482 402
Audit fees (note 18 and note 21)	2 591 095	2 212 557
Bank charges	609 601	566 638
Computer costs	3 892 211	8 172 566
Conference and seminars	135 585	142 998
Consultant fees	1 259 166	380 203
Depreciation	317 864	173 425
Entertainment	1 074 640	365 453
Fidelity guarantee insurance premium	282 612	262 643
Insurance premiums: Other	449 074	153 866
Legal expenses	2 352 423	1 326 300
Management fees	4 718 455	1 507 332
Motor vehicle expenses and fuel cost	3 646 541	558 922
Principal Officer's fees and remuneration	2 471 193	2 474 907
Record storage	93 431	127 389
Registrar's levies	2 187 021	2 040 726
Removal cost	1 045	14 657
Stationery and printing	1 824 167	1 744 812
Subscriptions	442 780	471 115
Telephone and postage	1 504 986	1 159 225
Transport costs	32 449	-
Total	76 114 143	61 588 457

17. INVESTMENT INCOME

	2018 R	2017 R
Investment income received (financial assets at fair value through profit or loss)	23 505 599	19 835 234
- Interest on investments at fair value	16 291 225	14 637 723
- Dividends	4 765 815	4 346 652
- Realised gain on disposal of investments	2 448 559	850 859
Interest on bank accounts (loans and receivables)	7 857 882	6 935 577
	31 363 481	26 770 811
Interest on savings account (note 10)	-	1 569
	31 363 481	26 772 380

18. OWN FACILITY SURPLUS

	2018 R Members	2018 R External Parties	2017 R Members	2017 R External Parties
Income from the use of own facilities	287 661 147	94 767 942	196 182 823	67 310 178
- By members (refer note 12)	268 396 301	-	178 834 324	-
- By Members Levies received	5 284 211	-	4 338 350	-
- By members Pharmacy	13 980 635	-	13 010 149	-
- By external parties Employee assistance programme	-	2 143 916	-	5 048 247
- By external parties Platmed salary recoveries	-	-	-	62 261 931
- By external parties Capitation fee income	-	92 624 026	-	-
Less: Costs incurred in the provision of own facilities to members and external parties	(287 661 147)	(89 013 340)	(196 182 823)	(55 508 477)
- Salaries and wages	(184 021 234)	(64 957 331)	(129 750 116)	(55 508 477)
- Accommodation	(469 085)	(209 843)	(11 495)	-
- Advertising marketing and promotions costs	(21 891)	(4000)	(69 967)	-
- Audit fees (note 21)	-	(144 242)	-	-
- Bank charges	(12 236)		-	-
- Cleaning services	(6 444 974)	(1 343 484)	(2 532 701)	
- Computer costs	(6 740 869)	(504 271)	(11 794 413)	
- Clothing	(1 481 065)	-	(887 751)	-
- Consultant fees	(2 142 915)	(231 840)	(548 855)	-
- Consumables	(1 682 620)	(68 550)	(1 147 835)	-
- Depreciation	(1 247 178)	(11 428)	(1 026 915)	-
- Emergency medical services at capitation fee facilities	-	(12 374 286)	-	-
- Entertainment	(117 378)	(14)	(75 548)	-
- Foodstuffs	(1 449 410)	(142 024)	(115 497)	-
- Legal expenses	(3580)	(22 107)	-	-
- Maintenance and repairs	(6 942 460)	(791 184)	(1 871 955)	-
- Management fees	(9 731 239)	(1 858 774)	(2 160 143)	-
- Medical waste removal	(255 344)	(6 234)	(92 259)	-
- Motor vehicle expenses and fuel cost	(3 475 821)	(454 791)	(198 025)	-
- Pharmaceutical and other medical related expenses	(29 177 262)	(3 824 324)	(21 435 318)	-
- Pharmacy expenses incurred	(12 212 701)	-	(11 218 578)	-
- Record storages	(21 429)	(34)	-	-
- Recruitment costs	(627 270)	-	-	-
- Rental of equipment	-	(1 741 045)	(2 098)	-
- Rental offices	(8 246 472)	(1 140)	(7 030 156)	-
- Security services	(898 298)	(379 106)	(1 345 531)	-
- Small assets written off	(1 749 197)	(121 951)	(126 906)	-
- Stationery and printing	(765 897)	(76 324)	(271 837)	-
- Subscriptions	(172 085)	(7 320)	-	-
- Telephone and postage	(1 654 269)	(57 998)	(1 077 107)	-
- Training	(442 455)	(2 600)	-	-
- Transportation cost	(307 533)	(49 515)	(80 100)	-
- Water and electricity	(5 195 765)	(69 404)	(1 250 591)	-
- Other revenue / (expenses)	28 785	441 823	(61 126)	-
Surplus	-	5 754 602	-	11 801 701

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

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

The Scheme's salary costs and other costs incurred for providing these services from our facilities to its members is shown under relevant healthcare expenditure (refer note 12). The salary cost and other costs incurred to provide services to external parties are shown as expense from external parties.

	2018 R	2017 R
19. RENTAL COMMITMENTS		
Operating lease payable		
- Within 1 year	8 070 508	4 070 718
- 1 to 5 years	26 916 349	3 361 039
	34 986 857	7 431 757

These operating leases include escalation clauses, of which some have a fixed escalation clause and the remainder are linked to CPIX.

Leases that escalate at a fixed escalation rate and that are straight-lined in terms of IAS 17:

Lessor	**Increase**	**Expiry date**	**Within 1 year** **R**	**1 to 5 years** **R**
Peglerae Hospital	7%	2023	5 691 556	22 565 206
Warfran – Consulting rooms	8%	2020	535 638	375 642
Warfran – Primary care clinic	8%	2020	122 290	85 762
Warfran - Optometry	8%	2021	206 172	399 489
North West Development Corp.	8%	2023	119 879	471 923
Spire Management	7.5%	2023	322 740	1 362 523
Total straight-lined lease commitments			6 998 275	25 260 545

19. **RENTAL COMMITMENTS** (Continued)

Leases that escalate in terms of CPI of which the future effect has been estimated on the most recent CPI rate applicable to the contract:

Lessor	Increase	Expiry date	Within 1 year	1 to 5 years
			R	R
Clidet	Lesser of CPI or 8%	2020	438 568	110 822
Jane Furse	CPI	2023	197 161	686 082
Royal Bafokeng Administration	8% or CPI	2022	327 903	736 601
Dr Kachelhoffer	CPI	2020 (1 month notice)	108 601	122 299
Total CPI related lease commitments			1 072 233	1 655 804
Total lease commitments			8 070 508	26 916 349

All leases do not include a purchase option including restrictions held on the lease arrangement. All leases based on an indefinite lease period are expected to only be utilised for the next five years.

	2018	2017
	R	R
20. FINANCE COSTS		
Interest paid		
- Long Term Incentive Scheme interest accrued	2 281 220	910 042
- Savings Plan Liability	-	1 569
Total interest paid	2 281 220	911 611
21. AUDITORS' REMUNERATION		
External audit fees	1 535 522	1 220 516
- Prior year under provision	100 683	-
Internal audit fee	1 099 132	992 041
	2 735 337	2 212 557
22. ASSET MANAGEMENT FEES		
Asset management fees paid to Allan Gray	2 058 645	1 864 380

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

23. CASH FLOWS FROM OPERATIONS

Reconciliation of net surplus for the year to cash generated by operations

	2018 R	2017 R
Surplus for the year	49 885 234	56 631 293
Adjustments for:		
- Investment income (Note 17)	(31 363 481)	(26 772 380)
- Investment income shown under sundry revenue	(798)	(2 544)
- Cost incurred in maintaining investment (Note 4)	23 331	16 497
- Management fee paid to investment managers (Note 4)	2 058 645	1 864 380
- Movement in impairment losses (Note 15)	305 576	792 671
- Movement in leave pay and holiday leave allowance provisions (Note 9)	3 314 992	(2 017 485)
- Movement in long term incentives scheme provision (Note 6)	11 549 674	4 045 752
- Movement in claims provisions (Note 8)	(6 000 000)	2 000 000
- Depreciation (Note 2)	1 576 470	1 200 340
- Loss on disposal of assets	1 119 889	-
- Interest paid on savings account (Note 20)	-	1 569
- Net loss / (gains) on revaluation of investments carried at fair value through surplus or deficit (Note 4)	10 890 724	(15 736 836)
Surplus before working capital changes	43 360 256	22 023 257
Working capital changes	44 435 499	(3 427 323)
- (Increase) / decrease in trade and other receivables	(23 715 302)	19 594 059
- Decrease in inventories	290 147	34 702
- Decrease in savings plan liability	-	(380 770)
- Increase / (decrease) in trade and other payables	67 860 654	(22 675 314)
Cash generated by operations	87 795 755	18 595 934

24. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

Credit risk

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

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

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

Trade and other receivables

Counterparties without external credit rating include:

Contribution debtors

On analysing the credit quality of contribution debtors fully performing, the Scheme effectively collected 99% of these amounts in January 2019. This indicates a high quality relating to these debtors. Consequently, no additional disclosure of the credit quality is provided.

Other debtors

On analysing the credit quality of other debtors, the Scheme is likely to collect 100% of these amounts over the agreed periods in 2019. 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 R3 181 560 (2017: R2 244 406) and impaired amounts to R959 019 (2017: R701 817).

24. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Exposure to credit risk (Continued)

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

2018	Non-financial instruments R	Fully performing R	Past due but not impaired R	Total financial instruments R
Insurance receivables				
- Contributions outstanding				
- Current	-	17 344 410	-	17 344 410
- 30 days	-	-	1 419 297	1 419 297
- 60 days	-	-	844 892	844 892
- 90 days	-	-	424 425	424 425
- 120 days	-	-	492 946	492 946
Other risk transfer arrangements				
- Share of outstanding claims provision	-	982 835	-	982 835
Accrued interest on investments	-	836 732	-	836 732
Other receivables	1 086 239	29 953 127	-	29 953 127
Cash and cash equivalents	-	234 154 060	-	234 154 060
Investments	-	325 213 563	-	325 213 563
Total	1 086 239	608 484 727	3 181 560	611 666 287

2017	R	R	R	R
Insurance receivables				
- Contributions outstanding				
- Current	-	1 819 759	-	1 819 759
- 30 days	-	-	1 002 355	1 002 355
- 60 days	-	-	493 798	493 798
- 90 days	-	-	311 225	311 225
- 120 days	-	-	437 028	437 028
Other risk transfer arrangements				
- Share of outstanding claims provision	-	866 964	-	866 964
Accrued interest on investments	-	571 541	-	571 541
Other receivables	2 369 955	22 102 551	-	22 102 551
Cash and cash equivalents	-	144 073 789	-	144 073 789
Investments	-	314 679 866	-	314 679 866
Total	2 369 955	484 114 470	2 244 406	486 358 876

Contributions outstanding were impaired by R959 019 (2017: R701 817).

24. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Instrument analysis

Asset class	Top 5 Holdings	Ratings (long term)	% of Portfolio
2018			
Cash (As a percentage of the Scheme's cash portfolio)	Standard Bank	BBB- (zaf)	50.71
	First Rand Bank	BBB- (zaf)	30.79
	Nedbank	BBB- (zaf)	7.65
	Investec	BBB- (zaf)	5.97
	Absa	BBB- (zaf)	2.35
	African Bank	-	2.53
Equity (As a percentage of the Allan Gray investment portfolio)	Naspers	Baa3	3.26
	Glencore	Baa2	2.95
	Standard Bank	BBB- (zaf)	2.36
	Sasol	Baa3	2.12
	British American Tobacco	Baa2	2.05
2017			
Cash (As a percentage of the Scheme's cash portfolio)	Standard Bank	BBB- (zaf)	38.41
	First Rand Bank	BBB- (zaf)	38.13
	Nedbank	BBB- (zaf)	6.16
	Investec	BBB- (zaf)	9.16
	Absa	BBB- (zaf)	7.31
	African Bank	-	0.83
Equity (As a percentage of the Allan Gray investment portfolio)	Sasol	Baa3	5.09
	Nedbank	BBB- (zaf)	1.69
	Naspers	Baa3	2.62
	British American Tobacco	Baa2	1.86
	Old Mutual	BBB+ (zaf)	2.39

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.

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.

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

Credit risk (Continued)

Qualitative disclosures (Continued)

Financial investments (Continued)

Trade and other receivables

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

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

1. *Contributions outstanding*

Outstanding contributions arise due to:

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

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

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

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

2. *Recoveries from members for co-payments*

The debt may arise due to the following:

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

The above is managed by applying the Scheme Credit Control Policy. Membership are either suspended or terminated for outstanding contributions. The application thereof assists in that the Scheme's financial risk is managed. The procedure as set out in the policy is communicated to both the member and payroll departments prior to suspension or termination of membership.

There are no variances from the previous years.

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

Credit risk (Continued)

Qualitative disclosures (Continued)

Financial investments (Continued)

3. *Provider debt*

The debt may arise due to the following:

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

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

Liquidity risk

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

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

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

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

24. FINANCIAL RISK MANAGEMENT (Continued)

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

As at 31 December 2018	Up to 1 month R	2 - 3 months R	4 - 12 months R	1 - 5 years R	Over 5 years R	Total R
ASSETS						
Current assets	608 484 726	2 264 189	917 371	-	-	611 666 286
Trade and other receivables	49 117 103	2 264 189	917 371	-	-	52 298 663
Investments held at fair value through surplus or deficit	325 213 563*	-	-	-	-	325 213 563*
Cash and cash equivalents	234 154 060	-	-	-	-	234 154 060
Total assets	608 484 726	2 264 189	917 371	-	-	611 666 286
LIABILITIES						
Current liabilities	141 087 301	11 392 972	12 307 395	-	-	164 787 668
Trade and other payables	117 383 842	-	7 403 826	-	-	124 787 668
Outstanding claims provision	23 703 459	11 392 972	4 903 569	-	-	40 000 000
Total liabilities	141 087 301	11 392 972	12 307 395	-	-	164 787 668

As at 31 December 2017	R	R	R	R	R	R
ASSETS						
Current assets	484 114 471	1 496 153	748 253	-	-	486 358 878
Trade and other receivables	25 360 816	1 496 153	748 253	-	-	27 605 222
Investments held at fair value through surplus or deficit	314 679 866*	-	-	-	-	314 679 866*
Savings Plan Trust Account	-	-	-	-	-	-
Cash and cash equivalents	144 073 789	-	-	-	-	144 073 789
Total assets	484 114 471	1 496 153	748 253	-	-	486 358 878

24. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

As at 31 December 2017	Up to 1 month R	2 - 3 months R	4 - 12 months R	1 - 5 years R	Over 5 years R	Total R
LIABILITIES						
Current liabilities	82 482 936	13 721 675	10 063 700	-	-	106 268 310
Trade and other payables	51 575 639	39 821	8 652 850	-	-	60 268 310
Outstanding claims provision	30 907 297	13 681 854	1 410 849	-	-	46 000 000
Savings Plan liability	-	-	-	-	-	-
Total liabilities	82 482 936	13 721 675	10 063 700	-	-	106 268 310

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

	Up to 1 month R	2 - 3 months R	4 - 12 months R	1 - 5 years R	Over 5 years R	Total R
As at 31 December 2018						
Investments held at fair value through surplus or deficit	10 343 488	43 754 291	50 290 542	220 825 242	-	325 213 563
As at 31 December 2017						
Investments held at fair value through surplus or deficit	10 364 541	20 686 202	86 364 239	197 264 884	-	314 679 866

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 risks, interest rate risk and other price risk.

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

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

Currency risk

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

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

Market risk (Continued)

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

Interest rate risk

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

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

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

Interest rate sensitivity

	Increase/decrease in interest rate	**Effect on surplus for the year R**
2018		
Call accounts	1%	804 930
Short term investments	1%	2 089 679
Current accounts	1%	1 535 726
2017		
Call accounts	1%	755 447
Short term investments	1%	1 957 591
Current accounts	1%	685 291

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

Sensitivity analysis - All interest-bearing instruments

Basis

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of the investment performance. For 2019 it is expected that the interest rate will have a upward trend of 1% (2018: 1% upward) to keep the inflation rate in the set parameters and that the income generation on financial instruments will increase. A 1% movement suggests the closing market value could have been R328 465 699 if the investment performance had been higher by 1% during 2018 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 R241 491 (2017: R215 733); an equal change in the opposite direction would have increased income by R241 491 (2017: R215 733).

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

Interest rate risk (Continued)

Investments

Allocation

Asset managers	**Mandate**	**Investment vehicle**	**R**	**%**
2018				
Platinum Health Medical Scheme	Liquidity/cash *		234 154 060	41.86
Allan Gray	Medical Scheme Portfolio	Pooled	325 213 563	58.14
2017				
Platinum Health Medical Scheme	Liquidity/cash *		144 073 789	31.41
Allan Gray	Medical Scheme Portfolio	Pooled	314 679 866	68.59

* Includes the current account and call account.

Price risk

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

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

Sensitivity analysis - Equity

Basis

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of the investment performance. For 2019 it is expected that the markets will stabilise and that there will be a further growth as experienced during 2018. The growth expected is +2% and it suggests the closing market value could have been R118 570 586 if the investment performance had been higher by 2% during 2018 as compared to the market investment performance.

All of the equity instruments are listed on the JSE. A two percent increase in the investment return at the reporting date would have increased surplus or deficit by R95 316 (2017: R86 933); an equal change in the opposite direction would have decreased income by R95 316 (2017: R86 933).

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

Sensitivity analysis - Equity (Continued)

Investment risk and investment return

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

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

	Financial assets at fair value through surplus or deficit				
	Designated upon initial recognition R	Loans and receivables R	Financial liabilities at amortised cost R	Total carrying amount R	Fair value amount R
2018					
Investments	325 213 563	-	-	325 213 563	325 213 563
Cash and cash equivalents	-	234 154 060	-	234 154 060	234 154 060
Trade and other receivables	-	52 298 663	-	52 298 663	52 298 663
Outstanding claims provision	-	-	(40 000 000)	(40 000 000)	(40 000 000)
Trade and other payables	-	-	(124 787 668)	(124 787 668)	(124 787 668)
	325 213 563	286 452 723	(164 787 668)	446 878 618	446 878 618
2017					
Investments	314 679 866	-	-	314 679 866	314 679 866
Cash and cash equivalents	-	144 073 789	-	144 073 789	144 073 789
Trade and other receivables	-	27 605 221	-	27 605 221	27 605 221
Outstanding claims provision	-	-	(46 000 000)	(46 000 000)	(46 000 000)
Trade and other payables	-	-	(60 268 310)	(60 268 310)	(60 268 310)
	314 679 866	171 679 010	(106 268 310)	380 090 566	380 090 566

25. FUND ADEQUACY

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

The Scheme considers its investment (Investments: R325m) and cash assets (Trade and other receivables: R53m Cash and cash equivalents: R234m) as capital and has adequate policies and controls in place to manage its capital to obtain maximum return on its capital with an acceptable risk related to the investments.

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

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

	2018	**2017**
Solvency margin	29%	25%

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

26. POST RETIREMENT BENEFITS

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

	2018 **R**	**2017** **R**
Total expense for the year	72 144	64 284
Expense relating to key management personnel	10 452	9 312

27. RELATED PARTY TRANSACTIONS

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

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

27. RELATED PARTY TRANSACTIONS (Continued)

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

	2018 R	2017 R
Statement of comprehensive income		
Platmed Proprietary Limited	7 494 828	47 610 840
- Management fee paid to Platinum Health Medical Scheme	402 424	62 261 931
- Information management cost recovery by / (from) Platinum Health Medical Scheme	7 092 404	(14 651 091)
Platmed Properties Proprietary Limited	365 064	1 033 200
- Management fee paid to Platinum Health Medical Scheme	365 064	1 033 200
RA Gilbert Proprietary Limited (Refer note 31)	(161 452 619)	(167 213 102)
- Management fee paid to Platinum Health Medical Scheme	3 562 920	3 666 561
- Medicine costs paid by Platinum Health Medical Scheme	(165 015 539)	(170 879 663)
Rustenburg Platinum Mines Limited	(16 308 467)	(4 237 615)
- Venue and catering services rendered to Platinum Health Medical Scheme	-	(570 140)
- Management fee paid by Platinum Health Medical Scheme	(16 308 467)	(3 667 475)
Anglo American Platinum Limited		
- Contribution subsidy paid on behalf of employees	255 256 642	291 821 177
Statement of financial position		
Platmed Proprietary Limited	4 583 545	5 632 858
- Management fee receivable by Platinum Health Medical Scheme	-	4 794 546
- Overhead costs paid by Platinum Health Medical Scheme	4 583 545	838 312
R A Gilbert Proprietary Limited		
- Medicines purchased by Platinum Health Medical Scheme	(12 130 623)	(6 987 987)
Platmed Properties Proprietary Limited		
- Management fee paid to Platinum Health Medical Scheme	(54 374)	43 780
Anglo American Platinum Limited		
- Contribution subsidy received in advance	-	39 821

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

27. RELATED PARTY TRANSACTIONS (Continued)

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

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

(b) **Key management personnel**

The Board of Trustees and the Principal Officer have the authority, as well as the responsibility for planning, directing and controlling the activities of Platinum Health Medical Scheme. The Board of Trustees are not compensated for expenses incurred while fulfilling their roles of the Scheme other than stated below. The Principal Officer's salary is disclosed in note 16.

		2018 R	2017 R
Statement of comprehensive income			
Key management remuneration		19 441 084	16 476 874
Short term employee benefits		15 990 071	13 444 044
Post employment benefits		10 452	9 312
Other long term benefits		3 440 561	3 023 518
Contributions received from Key management and Trustees		795 361	1 269 617
Claims incurred by Key Management and Trustees		(797 866)	(982 058)
Trustee's expenses			
Mr AJ Collier	- Consulting fees	70 750	171 672
	- Disbursements	24 526	2 790
Mr J Mosito	- Disbursements	9 061	11 100
Dr C Mbekeni	- Disbursements	-	24 733
Ms L Roets	- Disbursements	1 960	-
Mr N Machumele	- Disbursements	26 446	27 700
Mr S Pheto	- Disbursements	24 986	-
Mr A Mokoka	- Disbursements	24 046	-
Mr K Kokohlabang	- Disbursements	25 086	-
Mr D Noko	- Disbursements	25 886	-
Mr S Moatshe	- Disbursements	900	26 893
Mr AM Makou	- Disbursements	26 346	27 790
Ms S Maqina	- Disbursements	800	27 609
Mr T Siko	- Disbursements	520	27 429
Mr D Phasha	- Disbursements	-	28 736
Mr D McDonald	- Disbursements	25 646	2 070
Ms T Segoe (nee Tau)	- Disbursements	26 646	27 292
Mr C Smith	- Disbursements	26 393	24 974
		340 358	430 788

27. 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.

One of the trustees, Mr AJ Collier, the schemes former legal representative, received a retainer payment and re-imbursement for travel expenses during 2018 and 2017. Mr J Mosito received benefits of a cell-phone contract and 3G card paid by the Scheme. This was to enable him to execute his duties as Chairman of the Board of Trustees. All other trustees attended the Board of Health Care Funders conference and training and all expenses were paid for by the Scheme. All other trustees receive a cell phone allowance of R160 (2017 R150) per month and a meeting attendance allowance of R100 (2017: R90).

Terms and conditions of agreement

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

(c) Terms and conditions of the related party transactions

(a) *Contribution subsidy*

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

(b) *Contributions receivable*

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

(c) *Contributions subsidy received in advance*

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

(d) *Expense disbursements*

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

(c) *Investment management fees*

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

28. MEDICAL INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating insurance risk

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

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

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

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

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

Age grouping (in years)		**In-hospital**		**Chronic**			
		PMB	**Non PMB**	**PMB**	**Non PMB**	**Day to day**	**Total**
2018		**R (000)**	**R (000)**	**R (000)**	**R (000)**	**R (000)**	**R (000)**
< 25	Gross	57 705	11 524	16 016	4 324	63 842	153 411
	Net	57 250	11 428	15 197	4 017	56 073	143 965
25 - 39	Gross	82 165	18 745	22 785	19 820	138 739	282 254
	Net	81 587	18 693	21 573	19 413	128 533	269 799
40 - 55	Gross	78 424	28 869	34 909	40 911	131 864	314 977
	Net	77 828	28 620	32 703	39 712	121 092	299 955
56 - 69	Gross	57 308	23 667	25 404	19 986	85 279	211 644
	Net	56 937	23 552	23 755	18 730	76 620	199 594
> 69	Gross	20 402	10 954	8 002	6 240	27 842	73 440
	Net	20 360	10 939	7 294	5 642	25 021	69 256
	Gross	296 004	93 759	107 116	91 281	447 566	1 035 726
	Net	293 962	93 232	100 522	87 514	407 339	982 569

Movements in outstanding claims provision	(Note 8)	40 000
Claims related to risk transfer arrangements	(Note 12)	9 868
Total		1 032 437

28. MEDICAL INSURANCE RISK MANAGEMENT (Continued)

Age grouping (in years)		In-hospital		Chronic			
		PMB	Non PMB	PMB	Non PMB	Day to day	Total
2017		R (000)	R (000)	R (000)	R (000)	R (000)	R (000)
< 25	Gross	29 966	28 549	12 196	5 134	87 186	163 031
	Net	29 665	28 334	11 518	4 899	77 517	151 933
25 - 39	Gross	60 505	40 104	20 957	21 158	125 817	268 541
	Net	59 969	39 316	20 372	20 144	110 032	249 833
40 - 55	Gross	63 154	53 934	44 074	35 265	145 903	342 330
	Net	62 197	53 309	41 773	33 095	128 070	318 444
56 - 69	Gross	40 371	36 387	33 493	10 956	84 124	205 331
	Net	39 854	35 926	30 298	9 999	73 477	189 554
> 69	Gross	21 380	13 528	8 930	4 753	29 381	77 972
	Net	21 123	13 175	7 740	4 344	25 410	71 792
	Gross	215 376	172 502	119 650	77 266	472 411	1 057 205
	Net	212 808	170 060	111 701	72 481	414 506	981 556

Movements in outstanding claims provision (Note 8)	46 000
Claims related to risk transfer arrangements (Note 12)	9 804
Total	1 037 360

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 a number of 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.

28. 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 taking into account 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 2018 and 2017 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 29% (2017: 25%) represents sufficient income for the Scheme to continue as a going concern.

28. MEDICAL INSURANCE RISK MANAGEMENT (Continued)

Quantitative risk factors (Continued)

		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 %**
2018				
Inflation assumptions				
(a)	Hospitalisation costs	338 247 635		
	- Budget scenario – 7.9% *		8.9%	9.9%
	- Effect on claims - R		3 382 476	6 764 953
	- Effect on solvency - %		(0.24)/0.24	(0.48)/0.48
(b)	Medicine costs	194 830 901		
	- Budget scenario – 7.2% *		8.2%	9.2%
	- Effect on claims - R		1 948 309	3 896 618
	- Effect on solvency - %		(0.14)/0.14	(0.28)/0.28
(c)	Specialist costs	105 800 234		
	- Budget scenario – 7.9% *		8.9%	9.9%
	- Effect on claims – R		1 058 002	2 116 005
	- Effect on solvency - %		(0.07)/0.07	(0.15)/0.15
(d)	Continuation members' ratio	4.05%		
	- Budget scenario – 4.03% *		5.03%	6.03%
	- Effect on claims - R		2 324 676	4 649 352
	- Effect on solvency - %		(0.16)/0.16	(0.32)/0.32
2017				
Inflation assumptions				
(a)	Hospitalisation costs	420 449 738		
	- Budget scenario – 7% *		8%	9%
	- Effect on claims - R		4 204 497	8 408 995
	- Effect on solvency - %		(0.32)/0.32	(0.65)/0.65
(b)	Medicine costs	222 661 900		
	- Budget scenario – 5.5% *		6.5%	7.5%
	- Effect on claims - R		2 226 619	4 453 238
	- Effect on solvency - %		(0.17)/0.17	(0.34)/0.34
(c)	Specialist costs	121 547 466		
	- Budget scenario - 7% *		8%	9%
	- Effect on claims – R		1 215 475	2 430 949
	- Effect on solvency - %		(0.09)/0.09	(0.19)/0.19
(d)	Continuation members' ratio			
	- Budget scenario – 4.86% *	4.86%	5.86%	6.86%
	- Effect on claims - R		2 324 676	4 649 352
	- Effect on solvency - %		(0.18)//0.18	(0.36)/0.36

28. 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:

- Restructuring of the Health Maintenance Organisation model
- the sustainability and profitability of the Scheme;
- changes in legislation; and
- fraud, corruption and collusion by members and healthcare professionals.

29. CONTINGENT ASSET

Road Accident Fund (RAF)

A contingent asset exists because this is a possible asset 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 R48 610 779 (2017: R R48 179 441) were provided to the lawyers who were appointed by the members for inclusion in the claim to be lodged against the RAF.

30. SUBSEQUENT EVENTS

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

31. PROPOSED ACQUISITION OF RA GILBERT PROPRIETARY LIMITED

The Scheme has entered into an agreement on 12 December 2017 with Platmed Proprietary Limited to purchase its subsidiary company, RA Gilbert Proprietary Limited, a company rendering pharmacy services mainly to the Scheme, Platmed Proprietary Limited and Impala Medical Scheme. The Council for Medical Schemes still has to approve the acquisition of the company which approval is a condition precedent in the contract. The Competitions Commission has already approved the sale of the business which approval was also a condition precedent in the contract.

32. RECLASSIFICATION OF COMPARATIVE AMOUNTS

The scheme has, in consultation with the Council for Medical Schemes, determined that the way in which the costs of own facilities were previously accounted for, were not truly reflecting the total benefit expenditure incurred to render services to its members. The allocation of costs to services rendered to members was reviewed and a fairer basis of cost allocation was determined and applied during the year under review. The same principles were applied to the prior year figures and the comparative figures were accordingly adjusted. Costs previously accounted under non-healthcare costs are now accounted for under relevant healthcare expenditure. The effect of these reclassifications on the comparative amounts are summarised below:

32. RECLASSIFICATION OF COMPARATIVE AMOUNTS (Continued)

Statement of Comprehensive Income

	R
Prior year non-healthcare costs before reclassification	(93 116 653)
Reclassification to relevant healthcare expenditure	17 239 303
Prior year non-healthcare costs after reclassification	(75 877 350)
Prior year relevant healthcare expenditure before reclassification	(1 201 411 236)
Reclassification from non-healthcare costs	(17 239 303)
Prior year relevant healthcare expenditure after reclassification	(1 218 650 539)

There were no effects on the statement of financial position and the statement of cash flows. The reclassification affected note 12 Net claims incurred; note 16 Administration expenses and note 18 Own facility surplus.

33. 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:

	2018	2017
• Northam Platinum Limited	R2 565 592	R 600 299
• Royal Bafokeng Platinum Limited	R1 510 409	-
• African Rainbow Minerals Limited	R289 151	-

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

• Liberty Holdings	R3 136 729	R 1 395 807
• MMI Holdings Ltd	R3 333 822	R 3 353 229
• Old Mutual	R3 310 508	R 7 533 051

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.

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

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

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 12 months, commencing 1 April 2018.

(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 2018, there were contribution debtors outstanding for more than 30 days to the amount of R4 140 579 (2017: R2 946 223). This amount represents less than 1% of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Medical Schemes Act.

Possible impact of non-compliance

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

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

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

(3) **25 % Solvency margin**

Nature *and cause of non-compliance*

In terms of the Medical Schemes Act and Regulations, subject to regulation 29, sub-regulation (3), and (3A) and (4), a Medical Scheme must maintain accumulated funds expressed as a percentage of gross annual contributions for the accounting period under review of not less than 25%. During the year the solvency ratio was below 25% from January to March, and for the remainder of the year the Scheme had reached a solvency of 25% and above as planned.

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

A projected business plan compiled by Insight Actuaries and Consultants, indicating that the solvency ratio will be above 25% in 2018 was submitted as part of the feedback required from CMS regarding the declining pattern of PHMS's solvency ratio. The business plan was approved by CMS, Memo dated 1 June 2016. The Council for Medical Schemes has been monitoring the Schemes financial performance on a monthly basis until the end of 2018 although the solvency reached 25% from April 2018.

PLATINUM HEALTH MEDICAL SCHEME

DETAILED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION
FOR THE YEAR ENDED 31 DECEMBER 2018

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

PLATINUM HEALTH MEDICAL SCHEME

DETAILED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

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

Note

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

PLATINUM HEALTH MEDICAL SCHEME

DETAILED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

2017 AUDITED	Note	Plat Comprehensive R	Plat Cap R	Plat Save R	Total R
Gross contribution income		1 259 888 873	39 660 058	-	1 299 548 931
Total net claims incurred		(1 183 474 253)	(35 176 287)	-	(1 218 650 540)
Gross claims reported and/or paid for risk carried by the Scheme		1 129 533 512	34 179 530	5 320	1 163 718 362
- Direct claims for the period	Actual	900 893 598	24 131 110	-	925 024 708
- Direct benefits for the previous period (note 8)	1	45 200 019	435 623	5320	45 640 962
- Direct benefits reported not paid	1	9 783 302	390 835	-	10 174 137
- Net expenses from other risk transfer arrangements		453 598	18 032	-	471 630
- Managed care: management services		353 003	3 219 598	-	3 572 601
- Services rendered in own facilities	Actual	172 849 992	5 984 332	-	178 834 324
Movement in outstanding claims provision		44 548 526	584 510	-	45 133 036
- Under provision in prior year	1	(2 612 861)	198 726	-	(2 414 135)
- Adjustment for current year	1	47 161 387	385 784	-	47 547 171
Less: Claims paid/charged to the savings accounts	Actual	-	-	(5 320)	(5 320)
Total claims paid for risk carried by Scheme		1 174 082 038	34 764 040	-	1 208 846 078
Gross claims reported and/or paid for in respect of related risk transfer arrangements					
- Direct claims for the period	1	8 558 555	378 943	-	8 937 498
Movement in outstanding claims provision	1	833 660	33 304	-	866 964
- Overprovision in prior year	1	-	-	-	-
- Adjustment for current year	1	833 660	33 304	-	866 964
Total claims paid for by related risk transfer arrangements		9 392 215	412 247	-	9 804 462

DETAILED STATEMENT OF COMPREHENSIVE INCOME PER BENEFIT OPTION FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

2017 AUDITED (Continued)	Note	Plat Comprehensive R	Plat Cap R	Plat Save R	Total R
Managed care – management services		(13 074 436)	(421 786)	-	(13 496 222)
Management fees		(1 789 575)	(74 805)	-	(1 864 380)
Administration expenses	1	(58 566 066)	(3 022 391)	-	(61 588 457)
Own facility surplus		11 328 179	473 522	-	11 801 701
Net impairment losses	1	(760 866)	(31 805)	-	(792 671)
Investment income	2	25 642 103	1 130 277	-	26 772 380
Fair value adjustment	2	15 052 229	684 607	-	15 736 836
Finance costs	Actual	(875 097)	(36 514)	-	(911 611)
Plat Save reserves transferred to Plat Comprehensive option		415 217	-	(415 217)	-
Other income		72 304	3 022	-	75 326
Net surplus / (deficit) for the year		53 858 612	3 187 898	(415 217)	56 631 293
Strength					
(2017: Number of beneficiaries at year end)		93 694	3 743	-	97 437

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.

RA GILBERT PROPRIETARY LIMITED

ANNUAL FINANCIAL STATEMENTS

The financial statements in respect of the year ended 31 December 2018, are presented in compliance with the requirements of the Companies Act of South Africa and consist of:

Contents **Page**

DIRECTORS' RESPONSIBILITIES IN RESPECT OF ANNUAL FINANCIAL STATEMENTS

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that period, and conforming with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards, Companies Act requirements and based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment.

To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring that the Company's business is conducted in a manner that, in all reasonable circumstances, is above reproach.

The focus of risk management in the Company is on identifying, assessing, managing, and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control is adequate for ensuring the:

- Reliability and integrity of financial and operating information;
- Compliance of established systems with policies, plans, procedures, laws and regulations;
- Safeguarding of the Company's assets against unauthorised use or disposition;
- Economic, effective and efficient use of resources; and
- Achievement of established objectives and goals for operations or programmes.

The directors believe, as a result of the comprehensive structures and controls in place and the ongoing monitoring of the activities of executive and operational management, the board maintains effective control over the Company's affairs.

The annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for the foreseeable future.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2018

These annual financial statements as set out on pages 6 to 21 were approved by the board of directors on 07 May 2019 and are signed on its behalf by:

Director

Report to be provided by the auditors - 2 pages

DIRECTORS' REPORT

The directors have pleasure in presenting the annual financial statements of the RA Gilbert Proprietary Limited (the Company) for the year ended 31 December 2018.

FINANCIAL RESULTS
The annual financial statements set out on pages 6 to 21 fully represent the financial results of the Company. The Company generated a net profit for the year of R518,464 (2017: R293,634).

The Company provides pharmaceutical products to its holding company and a restrictive medical scheme and will continue to do so at a small profit.

COMPLIANCE WITH ACCOUNTING STANDARDS
The Company's annual financial statements comply with International Financial Reporting Standards and the requirements of the South African Companies Act 2008.

CHANGES IN ACCOUNTING POLICIES
Refer to the principal accounting policies on pages 7 to 10.

SHARE CAPITAL
The authorised and issued share capital of the Company as at 31 December is set out in note 8 to the annual financial statements.

ORDINARY DIVIDENDS
No dividends were declared or recommended during the year (2017: RNil).

CORPORATE GOVERNANCE
The directors support the principles of openness, integrity and accountability in their dealings with all stakeholders. Fundamental to the fulfilment of corporate responsibilities and the achievement of financial objectives is an effective system of corporate governance.

AUDITORS
Deloitte & Touche continued in office as auditors of the Company in terms of section 90 of the Companies Act.

GOING CONCERN
The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going-concern basis in preparing the annual financial statements.

The directors are of the opinion that the annual financial statements fairly present the financial position of the Company as at 31 December 2018, and the results of the operation and cash flow information for the year then ended.

SUBSEQUENT EVENTS
The intercompany loan accounts as at 31 January 2019 between RA Gilbert Proprietary Limited and Rustenburg Platinum Mines as well as Platmed Prorietary Limited have been settled and will be paid on a regular basis in lieu of the anticipated sale of RA Gilbert to a third party.

There are no other significant events after statement of financial position date which require disclosure in or adjustment to the annual financial statements.

BASIS OF PREPARATION

The financial statements are in compliance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the Companies Act of South Africa.

The financial statements are prepared on the historical cost basis except for certain financial instruments and liabilities that are stated at fair value. Significant details of the Company's accounting policies are set out below and are consistent with those applied in the previous year, except where otherwise indicated.

FUNCTIONAL CURRENCY

The financial statements are presented in South African rand, which is the functional and presentation currency of the Company.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the annual financial statements in terms of IFRS, management is required to make certain estimates and assumptions that may materially affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period and the related disclosures.

Residual values and useful lives

The Company depreciates its assets over its estimated useful lives taking into account residual values, which are re-assessed on an annual basis. The actual lives and residual values of these assets can vary depending on a variety of factors. Technological innovation, product live cycles and maintenance programmes all impact the useful lives and residual values of assets. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Deferred taxation asset

The Company 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 company 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 Company 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 Company to obtain tax deductions in future periods.

Impairment of assets

Property, plant and equipment and other assets are considered for impairment if there is reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Provision for bad debt

Provision for impairment is made when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derocognised when they are assessed as uncollectible. Impairment losses are recognised in the statement of comprehensive income.

NEW AND AMENDED ACCOUNTING STANDARDS

Accounting standards adopted having no impact on the annual financial statements

During the prior year, the Company early adopted the new and/or amendments to accounting standards and interpretations for annual periods beginning on or after 01 January 2017. The adoption of these did not have a material impact on these annual financial statements.

Impact of accounting standards and interpretations not yet adopted

At the reporting date, the following new accounting standards were in issue but not yet effective:

	Effective for annual periods commencing on or after
IFRS 16 *Leases* – removes the classification of leases as operating or finance leases; and requires all leases to be brought onto companies' statement of financial position.	1 January 2019 (with earlier application permitted if IFRS 15 is also applied)
IFRIC 23 *Uncertaintity over Income Tax Treatments* - addresses the determination of taxable profit (tax losses), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12	1 January 2019
Amendments to IFRIS10 and IAS 28 *Sale or contribution of Assets between an Investor and its Associate or Joint Venture* – deal with situation where there is a sale or contribution of assets between an investor and its assciates or joint ventures.	To be determined

NEW AND AMENDED ACCOUNTING STANDARDS (continued)
Impact of accounting standards and interpretations not yet adopted

	Effective for annual periods commencing on or after
Annual Improvements to IFRS Standards 2015-2017 Cycle – makes the following amendments: IFRS 3 – requireing the remeasurements of a previously held interest in a joint operation where control is obtained; IFRS 11 – clarifying that there is no remeasurement of previous interest upon obtaining joint control of a business that is a joint operation; IAS 12 – clarifying that all income tax consequences of dividends should be recognised in profit or loss regardless of how the tax arises; and IAS 23 - clarifying that a specific borrowing that remains outstanding after the related asset is ready for use, becomes part of general borrowings for purposes of interest capitalisation..	1 January 2019

The above amendments are not expected to have a material effect for the Company. The Company is in the process of assessing the impact of IFRS 16.

The IASB has also issued IFRIS 17 **Insurance Contracts**, *effective 1 January 2021, however it is not applicable to the Company as it does not issue any insurance contracts.*

Impact of standards issueed, effective on 1 January 2018 and adopted by the Company

The company adopted IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers on 1 January 2018.

As reported previously, the adoption of these standards has no impact for the company.

PRINCIPAL ACCOUNTING POLICIES

1 . Revenue

Revenue is measured at the fair value of the considerattion received or receivable, exclusive of value added taxation. Revenue comprises income from the sale of pharmaceutical products and is recognised when all the following conditions are satisfied:
* the company has transferred to the buyer the significant risk and rewards of ownership of the pharmaceutical products;
* the amount of revenue can be measured reliably;
* it is probable that the economic benefits associated with the transaction will flow to the entity; and
* the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2 . Borrowing costs

Borrowing costs are charged to interest paid in the period in which they are incurred.

3 . Leasing

Minimum lease payments on operating leases are charged against operating profit on a straight-line basis over the lease term.

4 . Taxation

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 profit or loss, 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 respectively.

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.

PRINCIPAL ACCOUNTING POLICIES (continued)

5 . Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Costs include all costs directly attributable to bringing the assets to their present location and working condition for their intended use. Depreciation is charged on a straight line basis over the expected useful lives of the assets at the annual rates disclosed below.

The useful life and residual value of assets are reviewed on an annual basis and historical evidence and current economic factors are used to estimate the values with the effect of chages accounted for on a prospective basis.

The annual depreciation rates applicable to each category of fixed assets are as follows:

Buildings	5.00%
Computer hardware	33.33%
Computer software	50.00%
Furniture and fittings	16.67%
Motor vehicles	20.00%
Equipment	10% to 20%

Land or buildings are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceed and the carrying amount of the asset and is recognised in profit or loss.

6 . Inventories

Inventories comprises pharmaceutical products and are stated at the lower of cost and 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 presents the estimated selling price less all estimated costs to be incurred in respect of selling and distribution.

7 . Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is probable that outflow of economic benefits will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows (when the effect of the time value of money is material).

8 . Financial instruments

Financial assets within the scope of IFRS 9 are classified as either financial assets at fair valur through profit or loss unless restrictive criteria are met for classifying and measuringthe asset at either Amortised cost or fair value through other comprehensive income, as appropriate. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity. The Company's financial instruments consist primarily of the following financial assets: cash and cash equivalents, trade and other receivables, and the following financial liabilities: trade and other payables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the period of the instrument. Effectively, this method determines the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, if appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Trade receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which are measured at fair value.

Impairment of financial assets

In terms of IFRS 9 the Company adopted the loss allowance of 12 months estimated credit loss due to the short term maturity of its assets. Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as aresult of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash

Objective evidence of impairment could include:
* significant financial difficulty of the insurer or counterparty; or
* default or delinquincy in interest or principal payments; or
* it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

PRINCIPAL ACCOUNTING POLICIES (continued)

8 . Financial instruments (continued)

Impairment of financial assets (continued)

For financial assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or economic conditions that correlate with defaults on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's orriginal effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously wriiten off are credited to the profit or loss account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occuring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities held at fair value thoriugh profit or loss. Financial liabilities and equity instrumnts issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deucting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial liabilities

Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or it has expired.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

RA GILBERT PROPRIETARY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	2018 R	2017 R
Revenue		**251,057,235**	253,643,084
Cost of sales		**(219,605,542)**	(223,480,759)
Gross profit		**31,451,693**	30,162,325
Operating costs		**(30,701,944)**	(29,666,867)
Operating profit / (loss)		**749,749**	495,458
Interest received		**50,393**	9,823
Interest paid		**(80,053)**	(97,455)
Profit / (loss) before taxation	1	**720,089**	407,826
Taxation	2	**(201,625)**	(114,192)
Profit / (loss) for the year and total comprehensive income / (loss)		**518,464**	293,634

RA GILBERT PROPRIETARY LIMITED

STATEMENT OF FINANCIAL POSITION

as at 31 December

	Notes	2018 R	2017 R
ASSETS			
Non-current assets		**2,247,447**	1,998,523
Property, plant and equipment	3	**325,931**	384,080
Deferred taxation	4	**1,921,516**	1,614,443
Current assets		**1,109,900,307**	828,047,188
Inventories	5	**12,767,018**	18,039,719
Trade and other receivables	6	**22,249,087**	16,718,587
Amounts owed by group companies	7	**1,074,319,253**	791,705,859
VAT receivable		**-**	927,437
Taxation receivable	12	**433,160**	351,363
Prepaid insurance		**22,277**	-
Cash and cash equivalents		**109,512**	304,223
Total assets		**1,112,147,754**	830,045,711
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	8	**100**	100
Retained earnings		**3,097,293**	2,578,829
SHAREHOLDER'S EQUITY		**3,097,393**	2,578,929
Current liabilities		**1,109,050,362**	827,466,782
Amounts owed to group companies	7	**1,055,394,542**	785,576,924
Taxation payable	12	**-**	-
Value added taxation		**396,097**	-
Trade and other payables	9	**42,503,578**	32,621,204
Other liabilities	10	**10,756,145**	9,268,654
Total equity and liabilities		**1,112,147,755**	830,045,711

RA GILBERT PROPRIETARY LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share capital R	Retained earnings R	Total R
Balance at 01 January 2017	100	2,285,195	2,285,295
Total comprehensive income for the year	-	293,634	293,634
Balance at 31 December 2017	100	2,578,829	2,578,929
Total comprehensive income for the year	-	**518,464**	**518,464**
Balance at 31 December 2018	**100**	**3,097,293**	**3,097,393**

RA GILBERT PROPRIETARY LIMITED

STATEMENT OF CASH FLOWS

for the year ended 31 December

	Notes	2018 R	2017 R
CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES			
Cash receipts from customers		**245,526,735**	272,537,193
Cash paid to suppliers and employees		**(232,305,514)**	(236,571,957)
Cash from / (used in) operating activities	11	**13,221,221**	35,965,236
Taxation refunded / (paid)	12	**(590,495)**	(133,813)
Interest received		**50,393**	9,823
Interest paid		**(80,053)**	(97,455)
Net cash from / (used in) operating activities		**12,601,066**	35,743,791
CASH FLOWS USED IN INVESTING ACTIVITIES			
Additions to property, plant and equipment		-	(135,091)
Net cash used in investing activities		-	(135,091)
CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES			
Decrease in net group company loans		**(12,795,776)**	(35,610,376)
Net cash (used in) / from financing activities		**(12,795,776)**	(35,610,376)
Decrease in cash and cash equivalents		**(194,710)**	(1,676)
Cash and cash equivalents at beginning of year		**304,223**	305,899
Cash and cash equivalents at end of year		**109,513**	304,223

RA GILBERT PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

	2018 R	2017 R
1 . PROFIT / (LOSS) BEFORE TAXATION		
Profit / (loss) before taxation is arrived at after taking into account the following:		
Audit fees - current year	**133,588**	141,360
Depreciation	**58,149**	53,356
Staff costs	**23,822,468**	22,237,437
Number of employees	**75**	76
2 . TAXATION		
South African Normal Taxation		
Current taxation		
- Current year	**508,698**	259,880
- Prior year	**-**	-
Deferred taxation		
- Current year	(307,073)	(145,688)
	201,625	114,192
Reconciliation of the standard rate of taxation with that charged in the statement of comprehensive income is as follows:	**%**	%
Statutory rate of taxation	**28**	28
Prior year under provision of current taxation	**-**	-
Effective taxation rate	**28**	28

3 . PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost **R**	**Accumulated depreciation** **R**	**Carrying amount** **R**	**Cost** **R**	**Accumulated depreciation** **R**	**Carrying amount** **R**
Own assets						
Buildings	**146,201**	**(59,090)**	**87,111**	146,201	(51,780)	94,421
Computer hardware	**964,183**	**(964,183)**	**-**	964,183	(964,183)	-
Computer software	**271,521**	**(271,521)**	**-**	271,521	(271,521)	-
Motor vehicles	**91,250**	**(91,250)**	**-**	91,250	(91,250)	-
Office equipment	**24,341**	**(19,024)**	**5,317**	24,341	(17,388)	6,953
Furniture and fittings	**618,322**	**(618,322)**	**-**	618,322	(618,322)	-
Equipment	**547,728**	**(314,225)**	**233,503**	547,728	(265,022)	282,706
	2,663,546	**(2,337,615)**	**325,931**	2,663,546	(2,279,466)	384,080

	2018 R	2017 R

3 . PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amount of property, plant and equipment can be reconciled as follows:

	Carrying amount at beginning of the year R	Additions R	Depreciation R	Carrying amount at end of the year R
2018				
Buildings	**94,421**	-	**(7,310)**	**87,111**
Computer hardware	-	-	-	-
Office equipment	**6,953**	-	**(1,636)**	**5,317**
Furniture and fittings	**0**	-	- -	
Equipment	**282,706**	-	**(49,203)**	**233,503**
	384,080	-	**(58,149)**	**325,931**
2017				
Buildings	101,732	-	(7,311)	94,421
Computer hardware	-	-	-	-
Office equipment	-	8,180	(1,227)	6,953
Furniture and fittings	141	-	(141)	0
Equipment	200,472	126,911	(44,677)	282,706
	302,345	135,091	(53,356)	384,080

4 . DEFERRED TAXATION

	2018 R	2017 R
The movement in the deferred tax balance is as follows:		
Balance at beginning of year	**1,614,443**	1,468,755
Released to the statement of comprehensive income (note 2)	**307,073**	145,688
Deferred tax asset - end of year	**1,921,516**	1,614,443
The balance at the end of the year comprises:		
Provisions	**1,921,516**	1,614,443
Assessed loss	-	-
	1,921,516	1,614,443

Management believes taxable profits will be available in future years to utilise the deferred tax asset.

5 . INVENTORIES

	2018 R	2017 R
Pharmaceutical products	**12,767,018**	18,039,719

No obsolence provision has been raised for the years ending 31 December 2018 and 31 December 2017.

6 . TRADE AND OTHER RECEIVABLES

	2018 R	2017 R
Trade and other receivables	**23,362,466**	17,736,975
Provision for doubtful debts	**(1,113,379)**	(1,018,388)
Net trade and other receivables	**22,249,087**	16,718,587

At 31 December 2018 and 31 December 2017 the carrying amount of trade and other receivables approximate their fair values due to the short term maturities of these assets.

Accounts receivable - per Balance sheet

	2018 R	2017 R
7 . AMOUNTS OWED BY / TO GROUP COMPANIES		
Rustenburg Platinum Mines Limited	**370,859,379**	**195,711,973**
Platmed Proprietary Limited	**703,459,874**	595,993,886
Amounts owed by group companies	**1,074,319,253**	791,705,859
Rustenburg Platinum Mines Limited	**1,055,394,542**	785,576,924
Amounts owed to group companies	**1,055,394,542**	785,576,924

The loans are unsecured, interest free and are not subject to any specific repayment terms.

	2018 R	2017 R
8 . SHARE CAPITAL		
Authorised		
1 000 ordinary shares of R1 each	**1,000**	1,000
Issued		
100 ordinary shares of R1 each	**100**	100

The unissued shares are under the control of the directors until the forthcoming annual general meeting.

	2018 R	2017 R
9 . TRADE AND OTHER PAYABLES		
Trade payables	**41,888,731**	31,513,058
Other payables	**614,847**	1,108,146
	42,503,578	32,621,204

	2018 R	2017 R
10 . OTHER LIABILITIES		
Provision for Leave *	**1,064,605**	967,022
Accrual for Leave Allowance ◊	**387,721**	373,602
Provision for Incentive Bonus •	**4,962,918**	4,035,055
Total provisions for the year	**6,415,244**	5,375,679
Balance at beginning of year	**141,360**	138,147
Utilised during the year	**(141,360)**	(138,147)
Provided during the year	**133,588**	141,360
Accrual for Audit Fees	**133,588**	141,360
Accrual for Outstanding Supplier Invoices	**4,207,313**	3,751,615
Balance at beginning of year	-	-
Utilized during the year	-	-
Accrued during the year	-	-
Balance at end of Year	-	-
Total accruals for the year	**4,340,901**	3,892,975
Total Provisions and Accruals	**10,756,145**	9,268,654

* Provision for leave is made on the days available to employees and is calculated on their total package. Leave is payable on resignation or retirement and also when application is made for capitalisation. Capitalisation can only be done if the annual 10 days compulsory leave was taken.

◊ Accrual for leave allowance is made per employee based on a 13th cheque basis and is payable when an employee takes their 10 days compulsory leave during a leave cycle.

• Provision for incentive bonus is recognised if the Medical Service Division (MSD) has achieved certain agreed criteria for the year. The MSD was considered to have achieved several of these criteria in the current financial year.

	2018 R	2017 R
11 . RECONCILIATION OF PROFIT / (LOSS) BEFORE TAXATION TO CASH (USED IN) / FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	**720,089**	407,826
Adjustment for non-cash items:		
Depreciation	**58,149**	53,356
Interest received	**(50,393)**	(9,823)
Interest paid	**80,053**	97,455
Cash used in before working capital changes	**807,898**	548,814
Working capital changes	**12,413,323**	35,416,422
Increase / (decrease) in trade and other receivables	**(4,625,340)**	18,894,109
(Increase) / decrease in inventories	**5,272,701**	(3,983,769)
Increase / (decrease) in provisions and accruals	**1,883,588**	2,224,038
Increase in trade and other payables	**9,882,374**	18,282,044
Cash (used in) / from operating activities	**13,221,221**	35,965,236
12 . TAXATION RECEIVABLE		
Amount receivable at beginning of the year	**351,363**	477,430
Current tax provided (note 2)	**(508,698)**	(259,880)
Taxation paid	**1,076,318**	133,813
Taxation refunded	**(528,623)**	
Interest received	**42,800**	-
Interest paid	**-**	-
Amount receivable at end of the year	**433,160**	351,363

13 . RELATED PARTY TRANSACTIONS

Parties with significant influence over the Company

Platmed Proprietary Limited (Platmed) holds a 100% share in the Company as well as a 40% share in Peglerae Hospital Proprietary Limited. Platmed is a wholly owned subsidiary of Rustenburg Platinum Mines Limited (RPM) which in turn is wholly owned by Anglo American Platinum Limited. As RPM manage all the cash of the group, all cash received by the Company is cleared via Platmed to a central RPM bank account and all payments of the Company are then also made from a central RPM bank account. During the year as part of normal trading activities, the following transactions took place:

	2018 R	2017 R
Statement of comprehensive income		
Platinum Health Medical Scheme	**(161,452,619)**	(167,213,102)
- Management fee paid to Platinum Health Medical Scheme	**3,562,920**	3,666,561
- Medical supplies sold to Platinum Health Medical Scheme	**(165,015,539)**	(170,879,663)
Rustenburg Platinum Mines Limited	**637,336**	483,981
- Management fee paid for employee services and procurement fees	**808,968**	743,428
- Medical supplies sold to Rustenburg Platinum Mines Limited, its subsidiaries and associated companies	**(171,632)**	(259,447)
Platmed Proprietary Limited		
- Medical supplies sold to Platmed Proprietary Limited	**(6,532,435)**	(18,527,640)
Statement of financial position		
Amounts owed (to) / by related parties		
- Platinum Health Medical Scheme	**12,130,623**	**6,987,987**
- Rustenburg Platinum Mines Limited	**(684,535,163)**	**(783,577,862)**
- Platmed Proprietary Limited	**703,459,874**	**595,993,886**

Key management personnel and their close family members

Key management personnel comprise the directors and management of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company. Please refer to note 15 for the details relating to the directors emoluments.

14 . FINANCIAL INSTRUMENTS

Financial risk management

The Company's financial instruments consist mainly of trade receivables, amounts due to / from group companies and trade payables.

The book value of all financial instruments is considered to approximate their fair value.

The Company does not use derivative instruments and does not speculate in the trading of derivative instruments.

The Company does not trade in financial instruments but in the normal course of its business is exposed to credit and liquidity risk.

Controlling risk in the Group

The Company complies with the policies of Anglo American Platinum Limited (Amplats) when managing risk. The Amplats executive committee is responsible for risk management activities within the Group. Overall limits have been set by the Board while the executive committee is responsible for setting individual limits.

Credit risk management

Potential areas of credit risk consist of amounts owed by group companies and accounts receivables. Management do not consider there to be any significant concentrations of credit risk in these balances. A provision is raised for the impairment of receivables. The Company is also exposed to credit risk that arises from funds it holds with financial institutions. Limits are in place for the amount of exposure the Company will accept for any one institution. The exposures are monitored and limits set by management. Cash and short-term funds are placed with financial institutions, which have short-term credit rating of 12 or higher.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Fully performing R	Past due but not impaired R	Impaired R	Total R
2018				
Trade and other receivables	**22,249,087**	-	-	**22,249,087**
Amounts owed by group companies	**1,074,319,253**	-	-	**1,074,319,253**
Total	**1,096,568,340**	-	-	**1,096,568,340**
2017				
Trade and other receivables	13,466,507	3,252,080	-	16,718,587
Amounts owed by group companies	791,705,859	-	-	791,705,859
Total	805,172,366	3,252,080	-	808,424,446

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

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

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

	Up to 1 month R	1 - 3 months R	Total R
2018			
Trade and other payables	**42,503,578**	-	**42,503,578**
Other liabilities	-	**10,756,145**	**10,756,145**
Amounts owed to group companies	**1,055,394,542**	-	**1,055,394,542**
Current liabilities	**1,097,898,120**	**10,756,145**	**1,108,654,265**

14 . FINANCIAL INSTRUMENTS (continued)

Liquidity risk management (continued)

	Up to 1 month R	1 - 3 months R	Total R
2017			
Trade and other payables	32,621,204	-	32,621,204
Other liabilities	-	9,268,654	9,268,654
Amounts owed to group companies	785,576,924	-	785,576,924
Current liabilities	818,198,128	9,268,654	827,466,782

Capital adequacy risk management

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

The Company's objective is to manage its capital in such a way that sufficient funds is available to pay liabilities, both in current and future years. This is achieved whilst keeping rental income as low as possible, or at least in line with the related market rates.

15 . DIRECTORS REMUNERATION

The table below provides an analysis of the remuneration paid to the Company's directors. These directors do not receive remuneration as directors of the Company. As they are all employees of Rustenburg Platinum Mines Limited, the remuneration disclosed is received for services rendered as employees of Rustenburg Platinum Mines Limited.

2018 Remuneration	Remuneration R	Benefits R	Other[1] R	Total remuneration R
Current				
VD Monyamane	**2,146,355**	**502,647**	**716,590**	**3,365,592**
M Poggiolini	**3,971,103**	**451,916**	**1,689,877**	**6,112,896**
	6,117,458	**954,563**	**2,406,467**	**9,478,488**

Remuneration includes cash, travel allowance and cash bonuses while benefits include retirement and medical aid contributions. Cash bonuses are based on 2018 performance and paid in 2019.

[1] Other includes BSP shares awarded and LTIP's:
The BSP shares awarded are based on the 2018 performance year and awarded in 2019.

2017 Remuneration	Remuneration R	Benefits R	Other[1] R	Total remuneration R
Current				
VD Monyamane	2,441,853	276,013	1,023,571	3,741,437
M Poggiolini	4,306,186	365,796	1,668,640	6,340,622
	6,748,039	641,809	2,692,211	10,082,059

Remuneration includes cash, travel allowance and cash bonuses while benefits include retirement and medical aid contributions. Cash bonuses are based on 2017 performance and paid in 2018.

[1] Other includes BSP shares awarded and LTIP's:
The BSP shares awarded are based on the 2017 performance year and awarded in 2018.

16 SUBSEQUENT EVENTS

There are no significant events, other than reported below, after statement of financial position date which require disclosure in or adjustment to the annual financial statements.

The intercompany loan accounts as at 31 January 2019 between RA Gilbert Proprietary Limited and Rustenburg Platinum Mines as well as Platmed Prorietary Limited have been settled and will be paid on a regular basis in lieu of the anticipated sale of RA Gilbert to a third party.

17 GOING CONCERN

The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going-concern basis in preparing the annual financial statements.

The directors are of the opinion that the annual financial statements fairly present the financial position of the Company as at 31 December 2018, and the results of the operation and cash flow information for the year then ended.

Annexure G

TRANSACTION ORGANORGRAM