
# NOTICE OF THE ANNUAL GENERAL MEETING

# 23 JUNE 2021 AT 14h00

# VIRTUAL MEETING

LONMIN
MEDICAL SCHEME

**AGENDA**

**Annual General Meeting for Lonmin Medical Scheme to be held on 23 June 2021 at 14h00 via ZOOM facility**

1. Welcome and Additions to the Agenda
2. Apologies
3. Minutes of the previous meeting
4. Report of the Board of Trustees
5. 2020 Annual Financial Statements
6. Appointment of the Auditors
7. Amalgamation
8. Submitted Motions
9. General
10. Close

# MINUTES OF THE 11th ANNUAL GENERAL MEETING OF THE MEMBERS OF LONMIN MEDICAL SCHEME HELD ON 29 JUNE 2019 AT THE KOPANO CONFERENCE CENTRE, BUFFELSPOORT

**PRESENT**

| | |
|---|---|
| Mr A Julies | (Acting Chairman and Employer Trustee) |
| Mr M Twala | (Employer Trustee) |
| Ms l Chabagae | (Member Trustee) |
| Mr O Mokoka | (Member Trustee) |
| M C Laubscher | (Member Trustee) |
| Members | (List attached) |

**IN ATTENDANCE**

| | |
|---|---|
| Mr S Sibeko | (Principal Officer) |
| Ms L Stassen | (Lonmin Medical Services) |
| Dr M Mentz | (Lonmin Medical Scheme) |
| Ms H Modise | (Discovery Health) |
| Ms K Wagner | (Discovery Health) |

**APOLOGIES**

| | |
|---|---|
| Mr T Diale | (Member Trustee) |
| Mr A Koshane | (Employer Trustee) |
| Dr I Fourie | (Consultant) |
| Mr M Jacobs | (Discovery Health) |
| Mr S Johnston | (Discovery Health) |

## 1. WELCOME

The Chairman welcomed all present to the 11th Annual General Meeting (AGM). A special welcome to Mr Loyiso Mdlalose from the Council for Medical Schemes. With proper notice having been given and more than 15 members being present, which constitutes a quorum, the meeting was declared properly constituted.

## 2. APOLOGIES

The apologies were noted.

## 3. MINUTES OF THE PREVIOUS MEETING

The minutes of the 10th Annual General Meeting held on 21 June 2018 were approved.

## 4. REPORT OF THE BOARD OF TRUSTEES

The Report of the Board of Trustees, included in the Summarised Annual Financial Statements for the period 31 December 2018, were approved. There were four non-compliance matters, which related to Managed Care organisation accreditation; contributions not being received within three days of becoming due and the statutory scheme solvency, all of which were noted. The Trustees were satisfied that the matters were being adequately addressed.

## 5. SUMMARISED ANNUAL FINANICAL STATEMENTS

The Chairman referred to the Annual Financial Statements for the period under review and invited questions from the floor. Copies of the audited Annual Financial Statements were made available at the meeting and the Chairman noted that copies are also kept at the registered office of the Scheme.

The Annual Financial Statements for the period ending 31 December 2018 were approved.

## 6. APPOINTMENT OF THE AUDITORS

The recommendation from the Board of Trustees, to re-appoint KPMG as the Scheme External Auditor, was approved. The members agreed that the Board of Trustees were mandated to make any changes it deemed necessary during the year to the external auditor's appointment.

## 7. SUBMITTED MOTIONS

None had been received.

## 8. GENERAL

### 8.1 Word from the Principal Officer

The Principal Officer, Mr Sifiso Sibeko, thanked all the members for their attendance. He gave a brief explanation on the basics on how a medical scheme operates. He explained that if members contribute monthly to a pool for medical needs but that members use more than what was required it makes less available for everyone. Members should be responsible and not abuse the Scheme for non-medical reasons, example visiting a doctor for a sick note when they are not sick. The money in the Scheme does not belong to Discovery or Lonmin Medical

Scheme. The money in the Scheme belongs to its members. The rules of the Scheme with the limits on benefits must not be seen as a punishment but it's a guide to make the necessary available.

The PO explained the reasons on why some decisions to reduce benefits was made, members requested for General doctors' visits to be increased for outside of Lonmin. More members saw doctors outside of Lonmin Medical Services therefore more money was leaving the Scheme, the BoT had to make the decision to reduce these external GP visits in order to keep the money in the Scheme. By reducing the visits more was available for critical requirements.

The Scheme needs to build up reserves. He pleaded to the members to understand that one can't claim for what you put in. The money is pooled together to cover members when medical intervention was required. Mr Sibeko reported that in 2018 the Scheme had two high cost burns cases which amounted to over R12 million. The medical expenses were able to be covered from the pooled contributions.

The Scheme had a beneficial relationship with Lonmin Medical Services (LMS), Andrew Saffy Memorial Hospital (ASMH) and the LMS Clinics and was therefore able to keep premiums low and benefits rich. Members had unlimited visits to these facilities and when referred to a specialised from these facilities the member was covered. The purpose was to ensure that members were able to get back to work ASAP. The Principal Officer reiterated that it was the member's responsibility to ensure that the Scheme remained healthy.

**8.2 Thank you**

A member thanked the PO for clarifying how the Scheme operates and how benefits should be utilized. Another member also commented that he was not aware of the need to build up reserves and thanked the PO for explaining.

**8.3 Language and unused benefits**

A member raised concern that a translator was not used during the entire meeting and that the Chairman and PO only addressed the meeting in English. The member also raised concern that the notice of the AGM and AGM booklet was not translated into Xhosa and Tswana.

It was reported that an interpreter was made available at the meeting, however no one requested anything translated up until this point. Translation of Financials was difficult but the concern was noted.

The member also commented that unused benefits on other schemes gave members money back for unused benefits. It was reported that this was unlawful, members could not be paid out for unused benefits.

**8.4 Gifts**

A member commented that they had been a member of the Scheme for 11 years but had not received a gift.

The PO reported that one did not belong to a medical scheme to receive gifts, the medical scheme was there to look after your health concerns. Members were given a small token of appreciation for attending the AGM every year. The Scheme also used certain events annually to market the Scheme such as, a soup day in winter, which was limited stock as it would cost too much to give to every member. Marketing before the window period giveaways and competitions were done throughout the year.

**8.5 Time and Location of AGM**

A member thanked the Scheme for listening to the request to move the time of the meeting. By having the meeting at 2pm this enabled members to attend after finishing their shift. The request to move the venue was still an issue. The request was to have it at the mine at a venue that was big enough to accommodate more members.

**8.6 Optometry**

The member that had queried that her condition was not being treated correctly at the previous AGM reported that she had received further consultation and that she was having a procedure tomorrow to treat her condition and she thanked the Scheme for that.

Ms Modise reported that the Lonmin Optometry Network had been expanded as per the request at the last AGM. Three new optometrists had been added on the network effective 1 April 2019. The network now comprised of the following four optometrists:

- Kungwane T L
- K C Lesolang
- Senne L J
- Henk Goosen Optometrists Incorporated

The optometry benefit remained unchanged. Members were covered for:

- One consultation every two years with the optometrists within the network (such consultation must include tonometry); and
- One pair of glasses in a two year period. The glasses may have standard single vision lenses with hard coating and a standard frame.

Any costs such as transition lenses, which cost over and above the limit was the members own responsibility.

### 8.7 Dependants located away from the mine

A member raised concern that their dependants did not always live with them at the mine and were located far from the mine facilities. It was requested whether it would be possible to build clinics closer to where their dependants lived. Members were spread widely in different provinces and building clinics would not be possible. The Scheme could look at arrangements with service providers located in these areas.

It was requested for a list of doctors in other areas which Lonmin Medical Scheme members were able to access. Members were encouraged to consult directly with the on-site consultants to assist with specific areas list.

### 8.8 LMS not equipped for females and lengthy waiting times

A member raised concern on the mine hospital not being adequately equipment to treat female specific conditions. The member also raised concern at the length of time waiting to see a doctor at the LMS facilities and therefore would rather go to an outside facility to be treated as they were seen quicker.

Ms Stassen reported that patients were seen to according to the severity of their condition, meaning the more serious conditions were seen to first however having to wait for hours was unacceptable. Each Clinic had three doctors and there were more on duty at ASMH. She pleaded with the members to report lengthy waiting times to the senior staff on duty or herself.

### 8.9 GPs R50 co-payment

A member raised concern that when consulting an external GP a co-payment of R50 was billed to the member however no medicine was dispended to the member and the member was required to return to the mine facilities to collect the medication prescribed.

### 8.10 Status of Lonmin Medical Scheme since Sibanye Stillwater has taken over Lonmin

Concern was raised on the status of the Scheme since Sibanye had taken over Lonmin. Mr Sibeko reported that the Scheme belongs to the members and therefore was not sold to Sibanye, any changes to the Scheme had to go to the Board of Trustees and done according to the rules of the Council for Medical Schemes. Sibanye have Sisonke Health, if the two medical

schemes were to amalgamate it would need to be in the best interest of the members.

Members queried whether they could be on Discovery?
Members were able to be on Discovery as there was freedom of choice, the challenge was the cost. Lonmin Medical Scheme had very good benefits at an affordable cost.

**8.11 Outstanding ambulance cost**

A member complained of an outstanding claim from an ambulance transfer in 2017. He had received a sms of an outstanding balance of R2300.

Ms Modise reported that the cost of an ambulance transfer was covered up to the scheme limit. When a member was admitted to hospital then the bill was covered in full. Any claim needed to be submitted within four months of the event for payment to be processed. Ms Stassen pleaded with members that if they received a sms or an unpaid bill to take it to the on-site consultants or herself immediately to help resolve.

**9. CLOSING**

The Chairman closed the questions and requested that the members direct any further queries to the on-site consultants who were present at the meeting. Most of the queries raised should be addressed with the on-sites on a day to day basis. He encouraged members to make use of their services for any claims or product related queries. Members should not wait until next June to raise concerns, use of the channels available should minimize frustration.

There being no further matters to discuss, the Chairman thanked everyone for attending.

The meeting was closed.

Minutes accepted

_____ _____

Mr A Julies

DATE

**CHAIRMAN**

# LONMIN MEDICAL SCHEME

# FINANCIAL STATEMENTS

# FOR THE YEAR ENDED

# 31 DECEMBER 2020

**LONMIN MEDICAL SCHEME**
**(Registration number 1599)**

**FINANCIAL STATEMENTS**
for the year ended 31 December 2020

**BOARD OF TRUSTEES**

| | |
|---|---|
| Ms L Chabagae | |
| Mr T Diale | |
| Mr A Koshane | Resigned 8 September 2020 |
| Mr O Mokoka | Resigned 17 February 2020 |
| Ms C Laubscher | |
| Mr V Mashaba | |
| Mr M Twala | Resigned 30 August 2020 |
| Mr T van Vuuren | |
| Mr B Cilliers | Appointed 28 August 2020 |

| | | |
|---|---|---|
| **PRINCIPAL OFFICER** | Mr S Sibeko | Resigned 30 November 2020 |
| | Ms L Stassen | Appointed 1 December 2020 |
| **AUDITOR** | KPMG Inc. | |
| **ADMINISTRATOR** | Discovery Health (Pty) Ltd<br>1 Discovery Place<br>Sandton<br>2146 | |
| **REGISTERED OFFICE** | Middelkraal Farm<br>Marikana<br>North West Province<br>0284 | |

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**LONMIN MEDICAL SCHEME**
**(Registration number 1599)**

**FINANCIAL STATEMENTS**
for the year ended 31 December 2020

## STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation and fair presentation of the financial statements of Lonmin Medical Scheme ("the Scheme"), which comprise the statement of financial position at 31 December 2020, the statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa. In addition, the Trustees are responsible for preparing the report of the Board of Trustees.

The Trustees are also responsible for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Trustees have made an assessment of the Scheme's ability to continue as a going concern and have no reason to believe the Scheme will not be a going concern in the year ahead. Refer to note 21.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

**Approval of the financial statements**

The financial statements of Lonmin Medical Scheme, as identified in the first paragraph, were approved by the Board of Trustees and are signed on their behalf by:

| CHAIRMAN | TRUSTEE | PRINCIPAL OFFICER |
|---|---|---|
| 30 April 2021 | | |
| DATE | | |

**LONMIN MEDICAL SCHEME**
**(Registration number 1599)**

**FINANCIAL STATEMENTS**
for the year ended 31 December 2020

## STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The Lonmin Medical Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Scheme is committed to good corporate governance in all aspects.

### BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the administrator and other service providers. The Board addresses a range of key issues and ensures that discussion of items of policy, strategy and performance is critical, informed and constructive.

All Trustees have access to the advice and services of the Principal Officer and consultants and, where appropriate, may seek independent professional advice at the expense of the Scheme.

### INTERNAL CONTROL

The Administrator of the Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the 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 the functioning of the key internal controls and systems during the year under review.

CHAIRMAN | TRUSTEE | PRINCIPAL OFFICER

**30 April 2021**

DATE

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**Independent Auditor's Report**

*To the members of Lonmin Medical Scheme*

**Report on the Audit of the Financial Statements**

*Opinion*
We have audited the financial statements of Lonmin Medical Scheme ("the Scheme") set out on pages 9 to 43, which comprise the statement of financial position at 31 December 2020, and the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Lonmin Medical Scheme at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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 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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

*Key Audit Matters*

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

| **Risk Claims Incurred**<br>Refer to principal accounting policy in note 1.12.1 and note 6, risk claims incurred, to the financial statements. | |
|---|---|
| The key audit matter | How the matter was addressed in our audit |
| The most significant expense for the Scheme relates to risk claims incurred amounting to R168 827 219. Risk claims incurred is a key driver in determining the sustainability of the Scheme.<br><br>Due to the significant volume of claims processed by the Scheme, the payment of valid risk claims is dependent on the integrity of the Scheme's administration system, as well as the automated claim assessment controls.<br><br>Risk claims incurred was considered a key audit matter due to the significant volume of claims processed during the year and the work effort required to be performed by the audit team. | Our audit procedures included the following:<br>• We evaluated the accuracy of benefit limits and rules captured onto the administration system by comparing the approved benefit limits and rules of the Scheme, to those captured onto the administration system.<br>• We tested the IT controls in place to prevent unauthorised access to or changes to the administration system.<br>• We tested, through the assistance of our own IT specialists, the automated claim assessment controls of the administration system to ensure that only valid claims were being processed and paid.<br>• We inspected the reconciliation, performed by the Scheme administrator, between the administration system and the general ledger to assess whether the risk claims paid were accurately captured into the Scheme's accounting system. |

| **Outstanding Risk Claims Provision**<br>Refer to principal accounting policies in note 1.9 and note 4, outstanding risk claims provision, to the financial statements. | |
|---|---|
| The key audit matter | How the matter was addressed in our audit |
| The outstanding risk claims provision (the provision) of R5 000 000 is the Scheme's estimate of the ultimate cost of settling all risk claims incurred but not yet reported (IBNR) at the reporting date.<br><br>The provision is determined by the Scheme's actuary as described in note 4 and is estimated using different methods. Determining the provision requires judgement with regard to the assumptions applied in | Our audit procedures performed included the following:<br>• With the assistance of our own actuarial specialists, we:<br>o evaluated the appropriateness of the methodology used in determining the provision against best practice;<br>o challenged the appropriateness of the assumptions used in the Scheme's methodology for measuring the provision by |

| **Outstanding Risk Claims Provision**<br>Refer to principal accounting policies in note 1.9 and note 4, outstanding risk claims provision, to the financial statements. | |
|---|---|
| The key audit matter | How the matter was addressed in our audit |
| respect of measuring the outstanding risk claims provision which could materially affect the financial statements.<br><br>Outstanding risk claims provision was considered a key audit matter due to the significant estimation risk involved in determining the provision. | evaluating the assumptions against best practice and the current economic environment; and<br>○ evaluated the qualifications, competence, independence and integrity of the Scheme's actuary.<br>• We calculated our own estimation of the provision to confirm the reasonability of the Scheme's provision.<br>• We assessed the adequacy of the provision by comparing actual claims paid after year-end that related to the current year to the provision at year-end.<br>• We evaluated whether the disclosures in the financial statements were appropriate in accordance with IAS 37, Provisions, contingent liabilities and contingent assets. |

*Other Information*

The Scheme's trustees are responsible for the other information. The other information comprises the Statement of responsibility by the Board of Trustees, the Statement of corporate governance by the Board of Trustees and the Report of the Board of Trustees. The other information does not include the financial statements and our auditor's report thereon.

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

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 Scheme's Trustees for the Financial Statements*

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

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

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

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

*Non-compliance with the Medical Schemes Act of South Africa*
As required by the Council for Medical Schemes, we report the following material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, as amended, that have come to our attention during the course of our audit:

(a) Contravention of Regulation 15A of the Act, managed care organisation accreditation with the Council for Medical Schemes.
(b) Contravention of Section 57(4)(f) of the Act, the duties of the Board of Trustees shall be to take out and maintain an appropriate level of professional indemnity and fidelity guarantee insurance.

We draw your attention to note 20.1 and 20.5, instances of non-compliance with the Medical Schemes Act of South Africa for more detail.

*Audit tenure*
As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that KPMG Inc. has been the auditor of Lonmin Medical Scheme for 13 years.
The engagement partner, BPK Jajula, has been responsible for Lonmin Medical Scheme's audit for three years.

KPMG Inc

Per BPK Jajula
Chartered Accountant (SA)
Registered Auditor
Director
5 May 2021

**LONMIN MEDICAL SCHEME**
**(Registration number 1599)**

## STATEMENT OF FINANCIAL POSITION
at 31 December 2020

| | Notes | 2020<br>R | 2019<br>R |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | **115,262,914** | **73,765,992** |
| Trade and other receivables | 2 | 1,231,734 | 1,274,864 |
| Cash and cash equivalents | 3 | 114,031,180 | 72,491,128 |
| **Total assets** | | **115,262,914** | **73,765,992** |
| **FUNDS AND LIABILITIES** | | | |
| **Members' funds** | | **104,789,714** | **60,857,980** |
| Accumulated funds | | 104,789,714 | 60,857,980 |
| **Current liabilities** | | **10,473,200** | **12,908,012** |
| Outstanding risk claims provision | 4 | 5,000,000 | 4,000,000 |
| Trade and other payables | 5 | 5,473,200 | 8,908,012 |
| **Total funds and liabilities** | | **115,262,914** | **73,765,992** |

**LONMIN MEDICAL SCHEME**
**(Registration number 1599)**

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

| | Notes | 2020<br>R | 2019<br>R |
|---|---|---|---|
| **Risk contribution income** | | **201,332,931** | **193,344,730** |
| **Relevant healthcare expenditure** | | **(150,671,933)** | **(184,633,637)** |
| Risk claims incurred | 6 | (168,827,219) | (204,752,260) |
| Claim recoveries from third parties | | 3,183,022 | 6,681,037 |
| Managed care: management services | 8 | (9,759,049) | (9,823,707) |
| Net income on risk transfer arrangements | 7 | 24,731,313 | 23,261,293 |
| Risk transfer arrangement fees | | (27,324,490) | (61,069,476) |
| Recoveries from risk transfer arrangements | | 52,055,803 | 84,330,769 |
| **Gross healthcare results** | | **50,660,998** | **8,711,093** |
| Administration fees | | (9,757,661) | (9,822,240) |
| Other operating expenses | 9 | (800,713) | (1,697,680) |
| Impairment | 10 | (852,454) | (2,510,820) |
| **Net healthcare surplus/(deficit)** | | **39,250,170** | **(5,319,647)** |
| **Other income** | | **4,681,564** | **4,638,602** |
| Investment income | 11 | 4,681,564 | 4,630,751 |
| Sundry income | 12 | - | 7,851 |
| **Total comprehensive gain/(loss) for the year** | | **43,931,734** | **(681,045)** |

**LONMIN MEDICAL SCHEME**
**(Registration number 1599)**

## STATEMENT OF CHANGES IN FUNDS AND RESERVES

for the year ended 31 December 2020

| | Total members' funds |
|---|---|
| | R |
| **Balance at 1 January 2019** | **61,539,025** |
| Total comprehensive loss for the year | (681,045) |
| **Balance at 31 December 2019** | **60,857,980** |
| Total comprehensive gain for the year | 43,931,734 |
| **Balance at 31 December 2020** | **104,789,714** |

**LONMIN MEDICAL SCHEME**
**(Registration number 1599)**

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

| | Notes | 2020<br>R | 2019<br>R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash flows from operations before working capital changes | 13 | 39,250,170 | (5,311,796) |
| Working capital changes | | | |
| Decrease in trade and other receivables | | 33,952 | 17,312,516 |
| (Decrease)/increase in trade and other payables | | (3,434,812) | 3,939,115 |
| Increase/(decrease) in outstanding claims provision | | 1,000,000 | (3,400,000) |
| Cash utilised by operations | | 36,849,310 | 12,539,835 |
| Interest received | | 4,690,742 | 4,631,850 |
| **Net cash flows from operating activities** | | **41,540,052** | **17,171,685** |
| **Net increase in cash and cash equivalents** | | **41,540,052** | **17,171,685** |
| Cash and cash equivalents at beginning of the year | | 72,491,128 | 55,319,443 |
| **Cash and cash equivalents at end of the year** | 3 | **114,031,180** | **72,491,128** |

**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 December 2020

## 1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. Where necessary comparative information has been reclassified to achieve better disclosure.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The notes to the financial statements set out those areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the Scheme's financial statements.

These financial statements have been approved for issue by the Board of Trustees on 4 May 2020.

### 1.1 Basis of preparation

The financial statements have been prepared in accordance with IFRS and the requirements of the Medical Schemes Act of South Africa. The standards referred to are set by the International Accounting Standards Board (IASB). The financial statements are prepared on the going concern principle and using the historical cost basis.

These financial statements are presented in Rand, which is the Scheme's functional currency. Rounding of all amounts is to the nearest Rand.

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### 1.2 Implementation of new standards

***New standards, amendments and interpretations not yet effective in 2020 and relevant to the Scheme:***

| Title | Effective date - financial year commencing on |
|---|---|
| **IFRS 17 Insurance Contracts** - IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:<br>• Reinsurance contracts held;<br>• Direct participating contracts; and<br>•Investment contracts with discretionary participation features.<br>Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.<br>The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements. The entity is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements. The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted. | 01 January 2023 |
| **IFRS 9 Financial Instruments -** IFRS 9, on 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard will have a significant impact on the Scheme, which will include changes in the measurement bases of the Scheme's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Scheme.<br><br>IFRS 4 provides a temporary exemption that permits, but does not require, the scheme to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.<br>A scheme may apply the temporary exemption from IFRS 9 if, and only if:<br>• it has not previously applied any version of IFRS 9<br>• its activities are predominantly connected with insurance at its reporting date.<br>The Scheme meets both the criteria and has decided to apply the exemption to defer the application of IFRS 9 to 1 January 2023. | 01 January 2018 |

The Scheme has not yet assessed the impact of these new standards and amendments. The assessment of the impact of IFRS 9 (effective 1 January 2018) has not yet been performed due to the link to IFRS 17.

### 1.3 Classification, recognition, presentation and derecognition of financial instruments

The Scheme recognises a financial instrument when, and only when, it becomes a party to the contractual provisions of the instrument. The Scheme has the following financial instrument categories: loans and receivables and financial liabilities. The Scheme has grouped its financial instruments into the following classes:

- Trade and other receivables;
- Cash and cash equivalents; and
- Trade and other payables.

Management determines the classification of financial instruments at initial recognition. All purchases and sales of financial instruments are recognised on the trade date, which is the date on which the Scheme commits to purchase the financial asset or assumes the financial liability.

*Offsetting financial instruments*
Where a current legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

*Derecognition of financial assets and liabilities*
The Scheme derecognises an asset when the contractual rights to the asset expire, where there is a transfer of the contractual rights that comprise the asset, or the Scheme retains the contractual rights of the asset but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

Where the Scheme retains substantially all the risks and benefits of ownership of the financial asset, the Scheme continues to recognise the financial asset.

The Scheme derecognises a financial liability when the contractual obligations are discharged, cancelled or expire.

### 1.4 Financial assets: initial and subsequent measurement

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequently, loans and receivables are carried at amortised cost using the effective interest method, less accumulated impairment losses.

### 1.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Scheme's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequently, loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Impairment of trade receivables occurs when there is objective evidence that the Scheme will not be able to collect all amounts due according to the original terms of the receivables. Receivables arising from healthcare insurance contracts with members are also classified in this category and are reviewed for impairment as part of the impairment review conducted per note 1.8.

*Insurance receivables*
Insurance receivables are recognised at cost less impairment losses. Impairment losses on insurance receivables are recognised and determined in a similar manner to impairment losses on financial assets carried at amortised cost (refer to note 1.8).

### 1.6 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise:

- Money at call and short notice; and
- Balances with banks.

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing purposes. Cash and cash equivalents have a maturity of less than three months and an insignificant risk of changes in fair value. Subsequently, cash and cash equivalents are measured at amortised cost which approximates fair value.

### 1.7 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities include trade payables. The Scheme is not permitted to borrow in terms of Section 35(6)(c) of the Medical Schemes Act, of South Africa. The Scheme therefore has no long-term financial liabilities.

*Trade payables*
Trade payables are measured initially at fair value plus directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method.

*Insurance payables*
Insurance payables are measured initially at fair value (which approximates cost) and subsequently measured at amortised cost using the effective interest method.

### 1.8 Impairment of financial assets

*Financial assets carried at amortised cost*
The Scheme assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset, or group of financial assets, is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that the loss event (or events) has an adverse impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The Scheme first assesses whether objective evidence of impairment exists, individually for financial assets that are individually significant, such as service provider debtors. In the case of assets which are not individually significant, such as contribution debtors, financial assets are grouped on the basis of similar credit characteristics, such as asset type and past-due status. These characteristics are used in the estimation of future cash flows recoverable.

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised through profit or loss.

When a receivable is uncollectible, it is written off against the related impairment in the allowance account. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment in profit or loss.

### 1.8 Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

### 1.9 Outstanding risk claims provision

Risk claims outstanding comprise provisions for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported (IBNR) at the reporting date. Risk 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.

Claims handling expenses are not separately accounted for as this service is provided by the Administrator and a fixed fee is paid for the full administration service, including claims handling. No provision for claims handling expenses is required as the Scheme has no further liability to the Administrator at year end.

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

### 1.10 Member insurance contracts

Contracts under which the Scheme accepts significant insurance risk from another party (the member and his/her registered dependants) by agreeing to compensate the member or another 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 and are detailed in note 18.

### 1.11 Risk contribution income

Risk contributions on member insurance contracts are accounted for monthly when their collection in terms of an insurance contract is reasonably assured. Risk contributions are earned from the date of commencement of insurance risk over the indemnity period on a straight-line basis. This earned portion of contributions received is recognised as revenue.

### 1.12 Relevant healthcare expenditure

Relevant healthcare expenditure consists of claims incurred and net income or expense from risk transfer arrangements.

### 1.12.1 Risk claims incurred

Gross claims incurred comprise of 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 risk claims incurred comprise:

- Claims submitted and accrued for services rendered during the year;
- Payments under provider contracts for services rendered to members;
- Over or under provisions relating to prior year claim accruals;
- Claims incurred but not yet reported; and
- Claims settled in terms of risk transfer arrangements.

Net of:

- Recoveries from third parties; and
- Discounts received from service providers.

### 1.12.2 Risk transfer arrangements

Risk transfer arrangements are contractual arrangements whereby a third party undertakes to indemnify the Scheme against all or part of the loss that the Scheme may incur as a result of carrying on the business of a medical scheme. Risk transfer arrangements do not reduce the Scheme's primary obligations to its members and their dependants, but the arrangements only decrease the loss the Scheme may incur as a result of carrying on the business of a medical scheme.

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis.

Risk transfer claims and benefits reimbursed are presented in profit or loss and in the statement of financial position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as risk transfer arrangements. Amounts recoverable under such contracts are recognised in the same year as the related claim.

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.

**1.12.2 Risk transfer arrangements (continued)**

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. These 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. The Scheme gathers the objective evidence that a risk transfer arrangement asset is impaired using the same process adopted for financial assets held at amortised cost. These processes are described in note 1.8.

**1.13 Liability adequacy test**

At the reporting date, liability adequacy tests are performed to ensure the adequacy of the member insurance contract liability.

Liabilities for insurance contracts are tested for adequacy by discounting current estimates of all future cash flows and comparing this amount to the carrying amount of the liabilities net of any related assets. Where a shortfall is identified, an additional provision is made and charged to profit or loss and refers to the outstanding claims provision.

**1.14 Managed care: management services fees**

Managed care: management services fees comprise amounts paid or payable to a third party for managing the utilisation, costs and quality of healthcare services to the members of the Scheme. Managed care: management services fees are expensed as incurred.

**1.15 Investment income**

Investment income comprises of dividends, interest income and realised gains or losses on the disposal of investments.

Interest income is recognised on the effective interest method.

Dividend income from investments is recognised when the right to receive payment is established.

**1.16 Unallocated funds**

Unallocated funds arise on the receipt of unidentified deposits in favour of the Scheme.

Unallocated funds older than three years have legally prescribed and are included under other income on the face of the statement of comprehensive income.

**1.17 Income tax**

In terms of Section 10(1)(d) of the Income Tax Act, No 58 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.

| | 2020<br>R | 2019<br>R |
|---|---|---|
| **2. TRADE AND OTHER RECEIVABLES** | | |
| **Insurance receivables** | | |
| Amounts recoverable from members and suppliers | 1,225,570 | 1,259,522 |
| Amounts due | 5,076,929 | 4,138,382 |
| Provision for impairment losses | (3,851,359) | (2,878,859) |
| **Total receivables arising from insurance contracts** | **1,225,570** | **1,259,522** |
| **Loans and receivables** | | |
| Interest receivable | 6,164 | 15,342 |
| **Total receivables arising from loans and receivables** | **6,164** | **15,341** |
| **Total trade and other receivables** | **1,231,734** | **1,274,864** |

At 31 December 2020 the carrying amounts of loans and receivables approximate their fair values due to the short-term maturities of these assets.

| | | 2020<br>R | 2019<br>R |
|---|---|---|---|
| **3.** | **CASH AND CASH EQUIVALENTS** | | |
| | Current accounts | 1,180,327 | 1,020,864 |
| | Money market accounts | 112,850,853 | 71,470,264 |
| | **Cash and cash equivalents per statement of financial position** | **114,031,180** | **72,491,128** |

The weighted average interest rate on cash and cash equivalents was 4.10% (2019: 6.96%) and these deposits have an average maturity of 1 day (2019: 1 day).

At 31 December 2020 the carrying amounts of cash and cash equivalents approximate their fair values.

| | | | |
|---|---|---|---|
| **4.** | **OUTSTANDING RISK CLAIMS PROVISION** | | |
| | Outstanding risk claims provision - not covered by risk transfer arrangements | **5,000,000** | **4,000,000** |
| | ***Analysis of movement in outstanding claims*** | | |
| | Balance at beginning of year | 4,000,000 | 7,400,000 |
| | Payments in respect of prior year | (4,011,442) | (6,662,129) |
| | (Under)/over provision in respect of prior year | (11,442) | 737,871 |
| | Adjustment for current year | 5,011,442 | 3,262,129 |
| | Not covered by risk transfer arrangements | 5,011,442 | 3,262,129 |
| | **Balance at end of year** | **5,000,000** | **4,000,000** |

The Scheme's rules provide that only risk claims submitted to the Scheme not later than the last day of the fourth month following the month in which the service was rendered, will be valid and considered for payment.

The outstanding risk claims provision is an estimate of the proportion of the claims liability incurred in the current financial year that is expected to be reported and only paid after the reporting date.

The risk claims incurred by service date estimates are based on the Scheme’s actual demographic structure and past claims. Due to differences in claiming patterns, risk claims are grouped into in-hospital and out-of-hospital claims categories, and the claims incurred are assessed separately for each category. Results from the assessment are regularly reconciled with actual paid claims and adjustments made where necessary to ensure that these results remain accurate.

The outstanding risk claims provision is determined by the Scheme's appointed actuary in consultation with the Administrator.

## 4. OUTSTANDING RISK CLAIMS PROVISION (continued)

**Process used to determine the assumptions**

This process is done on a monthly basis and regularly reconciled with the actual experience.

**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 and out-of-hospital categories of claims not covered by risk transfer arrangements. These are used for assessing the outstanding claims provisions for the 2020 and 2019 benefit years.

The assumptions used in estimating the claims incurred for the Scheme are as follows:

*Membership*
The actual demographics of the Scheme were used, incorporating all membership movements for the period January to December. Membership is analysed on a beneficiary level by option, age, gender, area, type of dependant and chronic status of a dependant.

The provision for outstanding claims is calculated as the difference between the estimate of claims incurred in 2020 and actual claims paid in 2021 for services in 2020.

*Reasonability checks*
This estimation was tested against estimations produced by the following calculations:
- Actual claims paid in 2020 for 2019;
- Traditional "chain ladder" methods, using claims development patterns derived from 2019 and 2020, as well as an analysis of the development patterns of December 2019 in isolation; and
- An analysis of the risk claims paid in 2021 for 2020

Refer to note 17 for an analysis of the impact of changes in assumptions and sensitivities to changes in key variables.

| | 2020<br>R | 2019<br>R |
|---|---|---|
| **5. TRADE AND OTHER PAYABLES** | | |
| **Insurance liabilities** | | |
| Contributions received in advance | 2,873 | 81,594 |
| Reported claims not yet paid | 3,620,850 | 1,265,409 |
| Member balances | 767,714 | 394,392 |
| Supplier balances | 2,853,136 | 871,017 |
| **Total liabilities arising from insurance contracts** | **3,623,723** | **1,347,003** |
| **Other liabilities** | | |
| Audit fee accrual | 254,080 | 254,078 |
| Lonmin Medical Services - risk transfer arrangement fees | - | 5,574,717 |
| Related party balances | 1,570,055 | 1,706,626 |
| Discovery Health (Pty) Ltd | 1,570,055 | 1,545,626 |
| Insight Actuaries and Consultants (Pty) Ltd | - | 161,000 |
| Unallocated funds | 25,342 | 25,588 |
| **Total** | **1,849,477** | **7,561,009** |
| **Total trade and other payables** | **5,473,200** | **8,908,012** |

At 31 December 2020 the carrying amounts of other liabilities approximate their fair values due to the short- term maturities of these liabilities.

| | | |
|---|---|---|
| **6. RISK CLAIMS INCURRED** | | |
| Current year claims | 167,827,219 | 208,152,260 |
| Claims not covered by risk transfer arrangements | 115,771,416 | 123,821,491 |
| Claims covered by risk transfer arrangements | 52,055,803 | 84,330,769 |
| Movement in outstanding claims provision | 1,000,000 | (3,400,000) |
| Under/(over) provision in prior year (Note 4) | 11,442 | (737,871) |
| Adjustment for current year | 988,558 | (2,662,129) |
| **Claims incurred** | **168,827,219** | **204,752,260** |

| | 2020<br>R | 2019<br>R |
|---|---|---|

## 7. NET INCOME ON RISK TRANSFER ARRANGEMENTS

| **The Scheme had the following risk transfer arrangement transactions during the year:** | | |
|---|---|---|
| Net income on risk transfer arrangements | 24,731,313 | 23,261,293 |
| Risk transfer arrangement fees paid | (27,324,490) | (61,069,476) |
| Recoveries under risk transfer arrangements | 52,055,803 | 84,330,769 |
| | **24,731,313** | **23,261,293** |

Lonmin Medical Services (a division of Western Platinum (Pty) Limited) provides primary and secondary healthcare services such as clinic visits, general practitioner services, dentistry, acute and chronic medication, emergency and transport services, and a number of other services.

The methodology for this calculation is as follows:

- The fee-for-service cost is calculated by multiplying the Lonmin Medical Services utilisation for the year by an appropriate cost per utilisation;
- The primary care cost is based on the 2020 fee-for-service cost per general practitioner visit at 100% of the Scheme rate;
- The dentistry cost is based on the 2020 fee-for-service cost per dentist visit at 100% of the Scheme rate; and
- The chronic cost per claimant and the hospital cost per admission is based on the Discovery Health Medical Scheme's Keycare Option's experience for 2020 (Keycare experience is used as the Keycare membership is expected to have a similar utilisation to Lonmin).

## 8. MANAGED CARE: MANAGEMENT SERVICES

| | | |
|---|---|---|
| Pharmaceutical benefit management | 975,905 | 981,636 |
| Specialist, hospital referrals and pre-authorisations | 3,123,451 | 3,044,689 |
| Disease management | 3,024,889 | 3,144,467 |
| Network management | 2,634,804 | 2,652,915 |
| | **9,759,049** | **9,823,707** |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
for the year ended 31 December 2020

| | | 2020<br>R | 2019<br>R |
|---|---|---|---|
| **9.** | **OTHER OPERATING EXPENSES** | | |
| | Audit fees | 252,773 | 261,643 |
| | Audit services - current year | 254,079 | 254,079 |
| | Audit services - prior year under provision | (1,306) | 7,564 |
| | Board of Healthcare Funders fees (PCNS) | 26,804 | 38,686 |
| | Bank charges | 31,937 | 32,860 |
| | Consulting fees | - | 647,755 |
| | Council for Medical Schemes' fees | 451,265 | 684,151 |
| | Fidelity guarantee and professional indemnity insurance premium | 31,780 | - |
| | Legal fees | 4,529 | 31,610 |
| | Trustees' remuneration | 1,625 | 975 |
| | | **800,713** | **1,697,680** |
| **10.** | **IMPAIRMENT** | | |
| | **Insurance receivables** | | |
| | Members' and service providers' portions that are not recoverable | 852,454 | 2,510,820 |
| | Increase in impairment | 972,501 | 2,510,235 |
| | Amounts (written off) / reversal | (120,047) | 585 |
| | | **852,454** | **2,510,820** |
| **11.** | **INVESTMENT INCOME** | | |
| | Income from investments | | |
| | Interest on cash and cash equivalents | 101,020 | 231,365 |
| | Interest on investments | 4,580,544 | 4,399,386 |
| | | **4,681,564** | **4,630,751** |
| **12.** | **SUNDRY INCOME** | | |
| | Prescribed debt | - | 8,231 |
| | Prescribed debt written back | - | (380) |
| | | **-** | **7,851** |

| | | 2020<br>R | 2019<br>R |
|---|---|---|---|
| **13. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES** | **Notes** | | |
| Net surplus / (deficit) for the year | | 43,931,734 | (681,045) |
| Adjustments for: | | | |
| • Investment income | | (4,681,564) | (4,630,751) |
| **Cash flows from operations before working capital changes** | | **39,250,170** | **(5,311,796)** |

## 14. COMMITMENTS AND OTHER CONTINGENT LIABILITIES

The Scheme does not have any commitments or contingent liabilities outstanding at 31 December 2020.

## 15. EVENTS AFTER THE REPORTING DATE

The have been no events that occurred subsequent to the end of the accounting period that affect the statements and that the Trustees consider should be reported.

## 16. RELATED PARTY TRANSACTIONS

The Scheme is controlled by the Board of Trustees who are 50% elected by the members of the Scheme and 50% appointed by the employer.

**Parties with significant influence over the Scheme:**

**Employer**

Sibanye Gold Limited trading as Sibanye Stillwater, acquired 100% of the share capital of Lonmin Platinum. As a result, Sibanye Gold Limited became the ultimate parent company. Lonmin Platinum comprising of Western Platinum (Pty) Limited and Eastern Platinum (Pty) Limited and its subsidiary companies has significant influence over the Scheme, as they are the only employer for the Scheme, but they do not control the Scheme. Lonmin Medical Services is a division of Western Platinum (Pty) Limited.

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees and the Principal Officer.

**Discovery Third Party Recovery Services Proprietary Limited**

The Scheme has contracted Discovery Third Party Recovery Services Proprietary Limited (DTPRS), a wholly owned subsidiary of Discovery Health Proprietary Limited, to manage the indentification and collection of third party recoveries from the Road Accident Fund.

**Administrator and managed care organisation**

Discovery Health (Pty) Ltd has significant influence over the Scheme, as Discovery Health (Pty) Ltd participates in the Scheme's financial and operating policy decisions, but does not control the Scheme. Discovery Health (Pty) Ltd provides administration and managed care management services.

| | 2020<br>R | 2019<br>R |
|---|---|---|
| *Transactions with parties that have significant influence over the Scheme:* | | |
| **Key management personnel** | | |
| Contributions and claims (Trustees and their beneficiaries) | | |
| Statement of comprehensive income | | |
| Gross contributions received | 64,721 | 120,570 |
| Claims incurred | (259,051) | (5,725) |
| Trustee reimbursements | | |
| Statement of comprehensive income | | |
| Meeting attendance and travel reimbursements | (1,625) | (975) |

## 16. RELATED PARTY TRANSACTIONS (continued)

The terms and conditions of the related party transactions were as follows:

| Transaction | Nature of transactions and terms and conditions thereof |
|---|---|
| Contributions received | This constitutes the contributions paid by the related parties as members of the Scheme, in their individual capacity. All contributions were on the same terms as those applicable to other members. |
| Claims incurred | This constitutes amounts claimed by the related parties as members of the Scheme, in their individual capacity. All claims were paid out in terms of the rules of the Scheme, as applicable to other members. |

**Discovery Third Party Recovery Services Proprietary Limited**

| | 2020 | 2019 |
|---|---|---|
| Statement of comprehensive income | R | R |
| Recoveries made from Road Accident Fund | 254,729 | - |

**Discovery Health (Pty) Ltd - administrator and managed care organisation**

| | | |
|---|---|---|
| Statement of comprehensive income | | |
| Administration fees paid | 9,757,661 | 9,822,240 |
| Managed care: management services | 9,759,050 | 9,823,708 |
| Statement of financial position | | |
| Balance due to Discovery Health (Pty) Ltd (Note 5) | 1,570,055 | 1,545,626 |

The terms and conditions of the transactions with entities with significant influence over the Scheme were as follows:

*Administration and managed care agreements*

The administration and managed care agreements are in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees. The agreements are automatically renewed each year unless notification of termination is received or following the cancellation of the Administrator's accreditation or the issue of a lawful directive to this effect by the Council for Medical Schemes in terms of the Medical Schemes Act, of South Africa. The Scheme and the Administrator/Managed Healthcare Organisation shall be entitled to terminate the agreement by giving notice in writing of not less than 90 days and not more than 180 days. The outstanding balance bears no interest and is due within 7 days.

**Lonmin Medical Services**

| | | |
|---|---|---|
| Statement of comprehensive income | | |
| Risk transfer arrangement fees paid | 27,324,490 | 61,069,476 |
| Statement of financial position | | |
| Balance due to Lonmin Medical Services | - | 5,574,717 |

*Risk transfer arrangement agreement*

The risk transfer agreement is in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees. The agreement is automatically renewed each year unless notification of termination is received. The Scheme and the Managed Healthcare Organisation shall be entitled to terminate the agreement by giving notice in writing of not less than 90 days and not more than 180 days. The fees are payable in advance on or before the third day of the month.

## 17. INSURANCE RISK MANAGEMENT REPORT

**Nature and extent of risks arising from insurance contracts**

The primary insurance activity carried out by the Scheme indemnifies covered members and their dependants against the risk of loss arising as a result of the occurrence of a health event (i.e. an event relating to the health of the Scheme member and his or her registered dependants). Risk transferred under risk transfer arrangements has been disclosed under note 7.

This section summarises these risks and the way they are managed.

**Insurance risk**

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance events are, by nature, random and the actual number and size of events during any one year may vary from those estimated using established techniques. As such, the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Scheme faces under its insurance contracts is that the actual claim payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency and/or severity of claims are greater than estimated. As insurance events are random, the actual number and amount of claims may vary from year to year using conventional statistical techniques.

Factors that aggravate insurance risk include changes in membership distribution and major unanticipated demographic movements, adverse experience regarding the cost of prescribed minimum benefits and unusually adverse experience due to seasonal patterns.

**Insurance risk - description of benefits**

The Scheme offers members one benefit option. The main types of benefits offered by the Scheme in return for monthly contributions are indicated below.

Lonmin Medical Services (a division of Western Platinum (Pty) Limited) provides primary and secondary healthcare services such as clinic visits, general practitioner services, providing acute and chronic medication, emergency and transport services, and a number of other services.

Where deemed appropriate, members will be referred to other hospital and specialist providers outside of this arrangement.

Members and their dependants also have access to certain primary and secondary healthcare services from other non-Lonmin medical services providers.

## 17. INSURANCE RISK MANAGEMENT REPORT (continued)

***Hospital benefit risk (outside capitation arrangement)***

*Frequency and severity of claims*

The frequency and severity of claims can be affected by several factors. The most significant factor is the admission rate which has a direct impact on the cost of claims.

Other factors that impact on hospital claims are shown below.

| Key indicators | 2020 | 2019 | % Increase / (decrease) |
|---|---|---|---|
| Length of stay | 5.92 days | 5.32 days | 11.28 |
| Average hospital cost per admission | R 41,103 | R 35,235 | 16.66 |
| Total cost per life per month | R 345 | R 325 | 6.15 |
| Admission rate | 10.06% | 11.07% | (9.12) |

Initiatives used by the Scheme to manage the risk associated with admission rates include:

- A clinical committee monitoring and managing risks such as rate of referral to outside of risk transfer arrangement facilities and revision and implementation of protocols;
- Ongoing application of underwriting policies on dependants to address anti-selection against the Scheme; and
- Appointed an Onsite Case Manager.

## 17. INSURANCE RISK MANAGEMENT REPORT (continued)

### Concentration of insurance risk

The following table, based on service date claims (net of adjustments), summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claim incurred, by age group and in relation to the type of risk covered/benefits provided.

*Claims incurred for 2020 service year - average per beneficiary*

| Age grouping (in years) | Avg number of beneficiaries | In-hospital R | Out-of-hospital R | Total R |
|---|---|---|---|---|
| <20 | 2,753 | 2,481 | 644 | 3,125 |
| 20 - 40 | 4,567 | 5,684 | 1,526 | 7,210 |
| 40 - 60 | 7,635 | 7,247 | 1,522 | 8,769 |
| >60 | 146 | 38,704 | 5,649 | 44,353 |

*Claims incurred for 2019 service year - average per beneficiary*

| Age grouping (in years) | Avg number of beneficiaries | In-hospital R | Out-of-hospital R | Total R |
|---|---|---|---|---|
| <20 | 3,125 | 3,207 | 692 | 3,899 |
| 20 - 40 | 5,239 | 5,778 | 1,550 | 7,327 |
| 40 - 60 | 7,655 | 6,889 | 1,607 | 8,496 |
| >60 | 199 | 13,917 | 3,292 | 17,209 |

All contracts with providers are negotiated and renewed annually. The Scheme has the right to change the terms and conditions of each contract at renewal. Contracts can be terminated at any time during the year, subject to written notice as required in terms of the contract. Management information, including contribution income and claims ratios are reviewed monthly.

### Risk transfer arrangements

The Scheme has a capitation agreement with Lonmin Medical Services (a division of Western Platinum (Pty) Limited) to cover specific risks. Lonmin Medical Services cover primary and secondary healthcare services such as clinic visits, general practitioner services, providing acute and chronic medication, emergency and transport services, hospitalisation and a number of other services.

### Risk in terms of risk transfer arrangements

According to the terms of the capitation agreement, the supplier provides certain benefits to Scheme members, as and when required by the members. The Scheme does however remain liable to its members if any provider fails to meet the obligations it assumes.

## 17. INSURANCE RISK MANAGEMENT REPORT (continued)

### Claims development

Claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within one year and the majority of cases within four months. At year end, a provision is made for those claims outstanding that are not yet reported at that date. Details regarding the subsequent claims development in respect thereof have been disclosed in note 6.

### Risk management objectives and policies for mitigating insurance risk

The methods employed by the Scheme to monitor and manage its insurance risk, inherent in the medical scheme environment, include the following:

- The capitation arrangement concluded with Lonmin Medical Services;
- A strict pre-authorisation and case management process is enforced for any hospitalisation and specialist treatments outside of the capitation arrangement;
- The annual budget is compiled under strict actuarial supervision based on updated claims and demographic analysis and projections;
- All claims and demographic movements are monitored on a monthly basis via a multi-simulation actuarial model;
- Actuarial projections of the Scheme's year-end financial position are done monthly; and
- The need for re-insurance is considered on an ongoing basis within the existing regulatory environment.

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.

### Outstanding risk claims provision

There are some sources of uncertainty that need to be considered in the estimate of the liability that the Scheme will ultimately pay for claims made under insurance contracts.

*Process used to determine the assumptions*
Refer to note 4.

*Changes in assumptions and sensitivities to changes in key variables*
The table below outlines the sensitivity of insured liability estimates to particular 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. For each sensitivity illustrated, all other assumptions have been left unchanged.

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, the assessment of changes to that variable in the future may be required.

An analysis of the sensitivities around various scenarios for the general medical insurance business provides an indication of the adequacy of the Scheme’s estimation process. The Scheme believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

## 17. INSURANCE RISK MANAGEMENT REPORT (continued)

The impact on the liability and reported profits caused by changes in key variables are as follows:

| | Change in variable % | Change in liability 2020 R | Change in liability 2019 R |
|---|---|---|---|
| Claims incurred | 10% change in claims cost | 500,000 | 400,000 |

The Scheme is most vulnerable to changes in membership distribution and changes in the underlying rate of inflation which drives a number of assumptions.

**Sensitivity of the Scheme's profit and loss and reserves to changes in variables that have a material effect on them**

The Scheme's profitability, reserves and therefore solvency, are most sensitive to changes in claims development patterns. Another relevant assumption is medical inflation. Other assumptions that are considered include assumptions regarding utilisation trends, the impact of new technology and the expected demographic profile of the Scheme membership.

## 18. FINANCIAL RISK MANAGEMENT REPORT

**Overview**

The Scheme is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

framework.

**Credit risk**

Credit risk is the risk of financial loss to the Scheme if a counterparty to an insurance contract or a financial instrument fails to meet its contractual obligations.

The Scheme's principle 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.

*Trade and other receivables*
Trade and other receivables comprises of insurance receivables and loans and receivables. The main components of insurance receivables are in respect of:
- Receivables for contributions due from members; and
- Receivables for amounts recoverable from service providers and members in respect of claims debt.

## 18. FINANCIAL RISK MANAGEMENT REPORT (continued)

The Scheme manages credit risk by:
- Actively pursuing all contributions not received after 3 days of becoming due, as required by S26(7) of the Medical Schemes Act, of South Africa;
- Suspending benefits on all member accounts when contributions have not been received for 30 days;
- Terminating benefits on all member accounts when contributions have not been received for 60 days; and
- Ageing and pursuing unpaid accounts on a monthly basis.

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, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Details of the process to estimate the impairment provision are included in note 1.8.

*Investments*
The Scheme has no significant concentration of credit risk. Cash transactions are limited to financial institutions with a high credit rating. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution.

The Scheme limits its exposure to credit risk by investing in liquid securities and only with counterparties that have a credit rating of no less than F1 (short-term) and AA (long-term) as rated by Fitch Ratings. Given these high credit ratings, the Board of Trustees does not expect any counterparty to fail to meet its obligations. Annexure B of Regulation 30 of the Medical Schemes Act, of South Africa, prescribes the credit limits per institution, which reduces the individual risk per institution. The utilisation of these credit limits are regularly monitored.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure.

*Impairment losses*
The ageing of insurance receivables at year end was:

| | Gross 2020 R | Impairment 2020 R | Gross 2019 R | Impairment 2019 R |
|---|---|---|---|---|
| Not past due | 80,825 | - | 163,728 | - |
| Past due 0 - 30 days | 17,389 | - | 418,256 | - |
| Past due 31 - 60 | 16,107 | - | 393,632 | - |
| Past due 61 - 90 days | 15,374 | 15,375 | 280,502 | 4,029 |
| Past due 91 - 180 | 380,378 | 354,323 | 38,698 | 35,060 |
| 181 days + | 4,566,856 | 3,481,661 | 2,843,566 | 2,839,770 |
| **Total** | **5,076,929** | **3,851,359** | **4,138,382** | **2,878,859** |

Based on past experience, the Scheme believes that no allowance is necessary in respect of insurance receivables that are past due and outstanding for less than 60 days.

## 18. FINANCIAL RISK MANAGEMENT REPORT (continued)

*Investments*
The Scheme limits its exposure to credit risk by investing in a diversified range of securities. Given these high credit ratings, the Trustees do not expect any counterparty to fail to meet its obligations. Annexure B of the Regulations to the Act, prescribes the credit limits per institution, which reduces the individual risk per institution. The utilisation of these credit limits are regularly monitored.

The table below shows the credit limit and balances of cash and cash equivalents held at 5 major counterparties at year-end. The statutory credit limit is calculated as 35% of the aggregate fair value of liabilities and accumulated funds.

| Counterparty | 2020 | | 2019 | |
|---|---|---|---|---|
| | Credit limit | Balance | Credit limit | Balance |
| | R | R | R | R |
| 1 | 39,910,913 | 2,354,893 | 25,371,895 | 12,830,774 |
| 2 | 39,910,913 | 26,892,358 | 25,371,895 | 17,323,704 |
| 3 | 39,910,913 | 26,937,499 | 25,371,895 | 19,461,462 |
| 4 | 39,910,913 | 3,520,947 | 25,371,895 | 2,237,854 |
| 5 | 39,910,913 | 32,546,186 | 25,371,895 | 20,340,874 |

No credit limits have been exceeded. The Board does not expect any losses from the non-performance of these counterparties.

**Credit quality of financial assets and insurance 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 receivables*** | **2020** | **2019** |
|---|---|---|
| | **R** | **R** |
| Counterparties without external credit rating: | | |
| Member claims debtors | 271,460 | 73,514 |
| Provider claims debtors | 1,185,210 | 1,083,943 |
| | 1,456,670 | 1,157,457 |

*Active member claims debtors*

These debtors are members of the Scheme and therefore are expected to have similar credit quality to the contribution debtors.

***Cash and cash equivalents***

| | | |
|---|---|---|
| Counterparties with external credit ratings (Fitch's): | | |
| AA+ | 114,031,180 | 72,491,128 |

## 18. FINANCIAL RISK MANAGEMENT REPORT (continued)

### 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 liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation. The Scheme has complied with the requirements regarding the nature and categories of assets as prescribed by Section 35 and Regulation 30 of the Medical Schemes Act, of South Africa.

Most of the Scheme's insurance liabilities, excluding the amount due to the employer, are settled within four months after the end of the month in which the claims was incurred and the remaining liability is settled within eight months.

A maturity analysis for financial liabilities, is provided below:

| As at 31 December 2020 | Less than 1 year<br>R | Total<br>R |
|---|---|---|
| Trade and other payables (Note 5) | 5,473,200 | 5,473,200 |
| Outstanding risk claims provision (Note 4) | 5,000,000 | 5,000,000 |

| As at 31 December 2019 | Less than 1 year<br>R | Total<br>R |
|---|---|---|
| Trade and other payables (Note 5) | 8,908,012 | 8,908,012 |
| Outstanding risk claims provision (Note 4) | 4,000,000 | 4,000,000 |

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings in 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.

Most of the Scheme's insurance liabilities, excluding the amount due to the employer, are settled within one year, the Scheme does not discount insurance liabilities and consequently changes in market interest rates would not affect the Scheme's surplus or deficit.

***Currency risk***

All of the Scheme's benefits are Rand-denominated and therefore the Scheme does not have significant currency risk.

## 18. FINANCIAL RISK MANAGEMENT REPORT (continued)

***Interest rate risk***

The Scheme is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate investments within the Scheme's investment portfolio.

The table below summarises the Scheme's exposure to interest rate risks. Included in the table are the Scheme's investments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| | Less than 3 months | 3 and more months | Total |
|---|---|---|---|
| **As at 31 December 2020** | **R** | **R** | **R** |
| Cash and cash equivalents | 114,031,180 | - | 114,031,180 |
| Total | 114,031,180 | - | 114,031,180 |

| | Less than 3 months | 3 and more months | Total |
|---|---|---|---|
| **As at 31 December 2019** | **R** | **R** | **R** |
| Cash and cash equivalents | 72,491,128 | - | 72,491,128 |
| Total | 72,491,128 | - | 72,491,128 |

The following table below summarises the effective interest rate for monetary financial instruments:

| | 2020 | 2019 |
|---|---|---|
| | % | % |
| Cash and cash equivalents | 4.10% | 6.96% |

## 18. FINANCIAL RISK MANAGEMENT REPORT (continued)

***Interest rate risk (continued)***

*Sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) accumulated funds and surplus or deficit by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2020.

| | Surplus or deficit | | Accumulated funds | |
|---|---|---|---|---|
| | 100bp Increase R | 100bp Decrease R | 100bp Increase R | 100bp Decrease R |
| **31 December 2020** | | | | |
| Cash and cash equivalents | 1,140,312 | (1,140,312) | 1,140,312 | (1,140,312) |
| **Sensitivity (net)** | **1,140,312** | **(1,140,312)** | **1,140,312** | **(1,140,312)** |
| **31 December 2019** | | | | |
| Cash and cash equivalents | 724,911 | (724,911) | 724,911 | (724,911) |
| **Sensitivity (net)** | **724,911** | **(724,911)** | **724,911** | **(724,911)** |

**Legal risk**

December 2020, the Scheme did not consider there to be any significant concentration of legal risk that had not been provided for.

**Capital management**

The Scheme is subject to the capital requirement imposed by Regulation 29(2) to the Medical Schemes Act, of South Africa, which requires a minimum solvency ratio of accumulated funds expressed as a percentage of gross contributions to be 25% as set by the Council for Medical Schemes.

The Scheme's objectives when managing capital are to maintain the capital requirements of the Medical Schemes Act, of South Africa, and to safeguard the Scheme's ability to continue as a going concern in order to provide benefits for its stakeholders.

The calculation of the regulatory capital requirement is set out below.

| | 2020 R | 2019 R |
|---|---|---|
| Total members' funds per statement of financial position | 104,789,714 | 60,857,980 |
| Accumulated funds per Regulation 29 | 104,789,714 | 60,857,980 |
| Gross contributions | 201,332,931 | 193,344,730 |
| Solvency margin = Accumulated funds/annualised gross contribution income x 100 | **52.05%** | **31.48%** |

## 18. FINANCIAL RISK MANAGEMENT REPORT (continued)

### Investment risk

The Scheme's Investment Committee invests excess funds in line with the Medical Schemes Act, of South Africa.

The Scheme's investment objectives are to maximise the return on its investments on a long-term basis at acceptable risk, subject to any constraints imposed by legislation or the Trustees.

Continuous monitoring takes place to ensure that appropriate assets are held where the Scheme's liabilities are dependent upon the performance of the investment portfolio and that a suitable match of assets exists for all liabilities.

### Breakdown of investments

The assets of the portfolio must be invested in accordance with Annexure B of Regulation 30 to the Medical Schemes Act, of South Africa.

The investments for the purposes of the financial statements comprise of cash and cash equivalents.

*Cash and cash equivalents*
Cash and cash equivalents are made up of the following:

| | As at 31 December 2020 R | As at 31 December 2019 R |
|---|---|---|
| Current accounts | 1,180,327 | 1,020,864 |
| Money Market accounts | 112,850,853 | 71,470,264 |
| **Total** | **114,031,180** | **72,491,128** |

## 18. FINANCIAL RISK MANAGEMENT REPORT (continued)

### Fair value estimation

The following table compares the fair value and carrying amounts of financial assets and financial and non-financial liabilities per class of financial asset, financial liability and non-financial liability. The carrying amount aproximates the fair value.

| | Loans and receivables / (other financial liabilities) R | Insurance receivables and payables R | Total carrying amount/fair value R |
|---|---|---|---|
| **31 December 2020** | | | |
| Cash and cash equivalents | 114,031,180 | - | **114,031,180** |
| Trade and other receivables | 6,164 | 1,225,570 | **1,231,734** |
| Trade and other payables | (1,849,477) | (3,623,723) | **(5,473,200)** |
| Outstanding claims provision | - | (5,000,000) | **(5,000,000)** |
| | **112,187,867** | **(7,398,153)** | **104,789,714** |
| **31 December 2019** | | | |
| Cash and cash equivalents | 72,491,128 | - | **72,491,128** |
| Trade and other receivables | 15,341 | 1,259,522 | **1,274,864** |
| Trade and other payables | (7,561,009) | (1,347,003) | **(8,908,012)** |
| Outstanding claims provision | - | (4,000,000) | **(4,000,000)** |
| | **64,945,460** | **(4,087,480)** | **60,857,980** |

## 19. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

*Critical accounting estimates and assumptions*
The Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Outstanding claims provision*
The critical estimates and judgements relating to the outstanding claims provision are set out under note 4.

*Other risk transfer arrangements*
The critical estimates and judgements relating to other risk transfer arrangements are set out under note 7.

*Impairment of assets*
The critical estimates and judgements relating to the impairment of assets are set out under note 1.8.

*Valuation of financial instruments*
The Scheme's accounting policy on fair value measurements is discussed in accounting policy 1.4.

The Scheme measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

## 20. NON-COMPLIANCE MATTERS

### 20.1 Managed care organisation accreditation

In terms of Industry Guideline 23 issued by the Council for Medical Schemes (CMS), a managed care organisation must be accredited by Council as a managed care organisation in terms of Regulation 15A.

At 31 December 2020, Lonmin Medical Services (a division of Western Platinum (Pty) Limited) was not accredited with the Council for Medical Schemes.

As part of a mining industry initiative, the Council for Medical Schemes has been approached on the matter of accreditation of mine medical facilities as managed care organisations. This matter is on record with the Council for Medical Schemes.

### 20.2 Contributions not received within three days of it becoming due

In terms of Section 26(7) of the Medical Schemes Act, of South Africa, all subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.

There were instances where the Scheme received contributions after three days of becoming due, however, there are no contracts in place agreeing to the late payment of contributions.

The procedures that the Scheme follows regarding the recovery of these contributions are set out in note 18.

### 20.3 Prescribed minimum benefits

Section 29(1)(o) and Regulation 8 provide the scope and level of minimum benefits that the Scheme must provide to members and dependants.

During the year under review there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits.

The claims are being reprocessed to ensure correctly paid.

## 20. NON-COMPLIANCE MATTERS (continued)

### 20.4 Claims payments in excess of 30 days

In exceptional cases claims were paid later than 30 days after date of submission. This usually resulted from members or providers submitting claims without the necessary details required for these payments to be made timeously.

These are isolated cases and thus do not have a material effect on the Scheme.

The necessary assistance is provided to the identified members and healthcare providers to ensure that these types of isolated cases are minimised.

### 20.5 Professional indemnity and fidelity guarantee insurance

In terms of Section 57(4)(f) of the Medical Schemes Act, of South Africa, the duties of the Board of Trustees shall be to take out and maintain an appropriate level of professional indemnity and fidelity guarantee insurance.

The Scheme did not have professional indemnity and fidelity guarantee insurance cover for the period 1 January 2020 to 30 June 2020. The Scheme was previously covered under the employer's policy. Following the acquisition of Lonmin Platinum by Sibanye Stillwater on 7 June 2019, renewal of the Scheme's professional indemnity and fidelity guarantee insurance was ommited from the employer's renewed policies.

The Scheme had this cover in place from 1 July 2020 for a one year period until 30 June 2021.

## 21. GOING CONCERN

The Scheme generated a net surplus of R39 250 170 during the year ended 31 December 2020 (2019: R5 319 647 deficit) and, as of that date, the Scheme’s solvency ratio was 52.05% (2019: 31.48%).

The sponsoring employer of Lonmin Medical Scheme, Lonmin Platinum, has been acquired by Sibanye Stillwater. Sibanye Stillwater has its own inhouse scheme. The two schemes are suitable as partners for an amalgamation due to operating in the same industry, and having a symbiotic relationship with the same employer. Similarly, the employer has an incentive to ensure their employees’ health benefit arrangements are optimised and coordinated to ensure optimal productivity. For this reason, the schemes have decided to explore an amalgamation. The possibility and impact of an amalgamation has been analysed in detail. During 2021, the schemes will engage with internal and external stakeholders, and it is anticipated that the transaction will be finalised during 2021.

There is no concern about the sustainability of Lonmin Medical Scheme in the event that the amalgamation will not take place.

**LONMIN MEDICAL SCHEME**
**(Registration number 1599)**

## REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2020.

### 1 DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

The Lonmin Medical Scheme (the Scheme) is a not-for-profit restricted membership medical scheme registered in terms of the Medical Schemes Act, 131 of 1998, as amended.

1.2 Benefit options within the Lonmin Medical Scheme

The Scheme offers one (1) benefit option.

1.3 Reinsurance

The Scheme did not hold any reinsurance contracts for 2020.

### 2 GOVERNANCE AND MANAGEMENT

2.1 Board of Trustees in office during the year under review:

| | | |
|---|---|---|
| Mr A Koshane | Employer appointed | Resigned 8 September 2020 |
| Mr V Mashaba | Employer appointed | |
| Mr M Twala | Employer appointed | Resigned 30 August 2020 |
| Mr T van Vuuren | Employer appointed | |
| Mr B Cilliers | Employer appointed | Appointed 28 August 2020 |
| Ms L Chabagae | Member elected | |
| Mr T Diale | Member elected | |
| Mr O Mokoka | Member elected | Resigned 17 February 2020 |
| Ms C Laubscher | Member elected | |

2.2 Principal Officer

| | |
|---|---|
| Mr S Sibeko | Resigned 30 November 2020 |
| Ms L Stassen | Appointed 1 December 2020 |

2.3 Registered office address and postal address

Middelkraal Farm
Marikana
North West Province
0284

2.4 Scheme Administrator during the year

Discovery Health (Pty) Ltd

| | |
|---|---|
| 1 Discovery Place | PO Box 786722 |
| Sandton | Sandton |
| 2146 | 2146 |

2.5 Actuaries

| | |
|---|---|
| Mr C Raath<br>1st Floor, Block J<br>Central Park<br>400 16th Road<br>Midrand | Insight Actuaries & Consultants<br>Private Bag X17<br>Halfway House<br>1685 |

## 3 INVESTMENT POLICY OF THE MEDICAL SCHEME

The Board of Trustees invested funds in line with the requirements of the Medical Schemes Act, of South Africa.

## 4 REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 Operational statistics

| | 2020 | 2019 |
|---|---|---|
| Number of members at the end of the accounting period | 11,272 | 11,654 |
| Number of beneficiaries at the end of the accounting period | 14,714 | 15,583 |
| Average number of members for the accounting period | 11,568 | 12,243 |
| Average number of beneficiaries for the accounting period | 15,121 | 16,238 |
| Average age of beneficiaries for the accounting period | 37.91 | 36.63 |
| Pensioner ratio (beneficiaries > 65 years) | 0.11% | 0.10% |
| Average net contributions per member per month | R 1,450.36 | R 1,316.02 |
| Average net contributions per beneficiary per month | R 1,109.57 | R 992.24 |
| Average claims incurred per member per month | R 1,085.41 | R 1,256.73 |
| Average claims incurred per beneficiary per month | R 830.37 | R 947.54 |
| Average administration costs per member per month | R 82.20 | R 95.50 |
| Average administration costs per beneficiary per month | R 62.89 | R 72.01 |
| Average managed care: Management services per member per month | R 70.30 | R 66.87 |
| Accumulated funds per member at 31 December | R 9,296.46 | R 5,222.07 |
| Beneficiaries per member at 31 December | 1.31 | 1.34 |
| Net claims as a percentage of net contributions | 74.84% | 95.49% |
| Managed care: Management services as a percentage of contributions | 4.85% | 5.08% |
| Administration cost as a percentage of contributions | 4.85% | 5.08% |
| Non-healthcare expenditure as a percentage of contributions | 5.67% | 7.26% |
| Return on investments as a percentage of investments | 4.10% | 6.95% |

4.2 Results of operations

The results of the Scheme are set out in the financial statements, and the Board of Trustees believes that no further clarification is required.

4.3 Accumulated funds ratio

| | 2020<br>R | 2019<br>R |
|---|---|---|
| The accumulated funds ratio is calculated on the following basis: | | |
| Total members' funds per statement of financial position | 104,789,714 | 60,857,980 |
| Accumulated funds per Regulation 29 | 104,789,714 | 60,857,980 |
| Gross contributions | 201,332,931 | 193,344,730 |
| Accumulated funds ratio<br>= Accumulated funds/annualised gross<br>contribution income x 100 | 52.05% | 31.48% |

4.4 Reserve accounts

Movements in reserves are set out in the statement of changes in funds and reserves. There have been no unusual movements that the Board of Trustees believes should be brought to the attention of the members of the Scheme.

4.5 Outstanding risk claims

Movements on the outstanding risk claims provision are set out in note 4 to the financial statements. There have been no unusual movements that the Board of Trustees believes should be brought to the attention of the members of the Scheme.

## 5 ACTUARIAL SERVICES

The Scheme's actuaries have been consulted in the determination of the contribution and benefit levels. The Scheme's actuaries also calculate the annual budget and monthly reports for the Scheme, including the monthly IBNR.

## 6 RISK TRANSFER ARRANGEMENTS

The Scheme has contracted with Lonmin Medical Services (a division of Western Platinum (Pty) Limited). Lonmin Medical Services cover primary and secondary healthcare services such as clinic visits, general practitioner services, acute and chronic medication, emergency and transport services, hospitalisation, and a number of other services.

## 7 EVENTS AFTER THE REPORTING DATE

The have been no events that occurred subsequent to the end of the accounting period that affect the statements and that the Trustees consider should be reported.

## 8 INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE MEDICAL SCHEME AND TO OTHER RELATED PARTIES

The Scheme holds no investments or loans in participating employers of Scheme members.

Discovery Health (Pty) Ltd is the administrator and managed care organisation of the Scheme.

Payments are made in terms of the administration agreement and managed care agreements with Discovery Health (Pty) Ltd. Fees were paid as follows:

| | 2020<br>R | 2019<br>R |
|---|---|---|
| Administration and managed care fees | 19,516,710 | 19,645,947 |

## 9 AUDIT COMMITTEE

An audit committee (the Committee) was established in accordance with the provisions of the Act. The Committee is mandated by the Board of Trustees by means of a written terms of reference as to its membership, authority and duties. The Committee consists of five members of which two are members of the Board of Trustees. The Committee met on two occasions during the course of the year as follows:

- 29 April 2020
- 27 November 2020

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 external auditors formally report to the Committee on critical findings arising from audit activities.

The committee presently comprises: A van der Walt (chairman - independent), E Molefinyana, M Twala (resigned 30 August 2020), and V Mashaba, B Cilliers (appointed 28 August 2020), T Diale, J Erasmus (independent)

## 10 NON-COMPLIANCE MATTERS

### 10.1 Managed care organisation accreditation

In terms of Industry Guideline 23 issued by the Council for Medical Schemes (CMS), a managed care organisation must be accredited by Council as a managed care organisation in terms of Regulation 15A.

At 31 December 2020, Lonmin Medical Services (a division of Western Platinum (Pty) Limited) was not accredited with the Council for Medical Schemes.

As part of a mining industry initiative, the Council for Medical Schemes has been approached on the matter of accreditation of mine medical facilities as managed care organisations. This matter is on record with the Council for Medical Schemes.

### 10.2 Contributions not received within three days of it becoming due

In terms of Section 26(7) of the Medical Schemes Act, of South Africa, all subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.

There were instances where the Scheme received contributions after three days of becoming due, however, there are no contracts in place agreeing to the late payment of contributions.

The procedures that the Scheme follows regarding the recovery of these contributions are set out in note 18.

## 10 NON-COMPLIANCE MATTERS (continued)

### 10.3 Prescribed minimum benefits

Section 29(1)(o) and Regulation 8 provide the scope and level of minimum benefits that the Scheme must provide to members and dependants.

During the year under review there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits.

The claims are being reprocessed to ensure correctly paid.

### 10.4 Claims payments in excess of 30 days

In exceptional cases claims were paid later than 30 days after date of submission. This usually resulted from members or providers submitting claims without the necessary details required for these payments to be made timeously.

These are isolated cases and thus do not have a material effect on the Scheme.

The necessary assistance is provided to the identified members and healthcare providers to ensure that these types of isolated cases are minimised.

### 10.5 Professional indemnity and fidelity guarantee insurance

In terms of Section 57(4)(f) of the Medical Schemes Act, of South Africa, the duties of the Board of Trustees shall be to take out and maintain an appropriate level of professional indemnity and fidelity guarantee insurance.

The Scheme did not have professional indemnity and fidelity guarantee insurance cover for the period 1 January 2020 to 30 June 2020. The Scheme was previously covered under the employer's policy. Following the acquisition of Lonmin Platinum by Sibanye Stillwater on 7 June 2019, renewal of the Scheme's professional indemnity and fidelity guarantee insurance was ommited from the employer's renewed policies.

The Scheme had this cover in place from 1 July 2020 for a one year period until 30 June 2021.

## 11 COVID-19

During 2020 and up to 25 March 2021, 282 beneficiaries of Lonmin Medical Scheme total members tested positive for COVID-19, 258 beneficiaries recovered and 17 beneficiaries died. The Scheme’s COVID-19 related claims costs (i.e. costs for tests, consultations, medicine and hospitalisation) was approximately R16.79m up to 25 March 2021 (4.30% of risk contributions).

The Trustees have monitored the impact of the COVID-19 pandemic on the Scheme closely during 2020. The Trustees were provided with regular updates in respect of the COVID-19 pandemic regarding emerging trends in the country in general as well as within the medical industry and for the Scheme.

Claims costs in 2020 were slightly lower than budget mainly due to the cancellation and/or postponement of elective surgeries as well as a general reduction in the utilisation of other medical services. This resulted in a surplus of 21.82% of risk contributions with the solvency ratio increasing to 52.05% at the end of 2020.

It should be noted that it is expected that there will be a catch up of some of the services during the course of 2021 and 2022. Some of the surpluses generated in 2020 will therefore be required to fund the catch-up of claims in future. The timing and extent of the catch-up is uncertain at this stage since this will be impacted by potential future waves of COVID infections.

## 11 BOARD OF TRUSTEES MEETING ATTENDANCE

The following schedule sets out Board of Trustees meeting attendances and attendances by members of the Board's sub-committees:

| Operations Management meetings | Number of meetings for the year |
|---|---|
| | 4 |
| Mr S Sibeko | 3 |
| Mr M Twala (Resigned 30 August 2020) | 2 |
| Mr O Mokoka (Resinged on March 2020) | - |
| Ms R Nauhaus * | 4 |
| Ms C Laubscher | 4 |

| Board of Trustees meetings | Number of meetings for the year |
|---|---|
| | 4 |
| Mr S Sibeko (PO - Resigned 30 November 2020) | 4 |
| Ms L Stassen (Acting Principal Officer appointed 1 December 2020) | 4 |
| Ms L Chabagae | 3 |
| Mr T Diale | 1 |
| Mr A Koshane (Resigned 8 September 2020) | 1 |
| Mr O Mokoka (Resigned 17 February 2020) | - |
| Ms C Laubscher | 4 |
| Mr V Mashaba | 3 |
| Mr M Twala (Resigned 30 August 2020) | 3 |
| Mr T van Vuuren | 1 |
| Mr B Cilliers (Appointed 28 August 2020) | 1 |

| Audit Committee meetings | Number of meetings for the year |
|---|---|
| | 2 |
| Mr S Sibeko | 1 |
| Mr M Twala (Resigned 30 August 2020) | - |
| Ms A van der walt * | 2 |
| Mr V Mashaba | 2 |
| Mr B Cilliers | 1 |
| Mr T Diale | - |
| Mr M van der Walt * | 1 |
| Mr J Erasmus * | 1 |

Independent committee member

CHAIRMAN

TRUSTEE

PRINCIPAL OFFICER

30 April 2021

DATE

LONMIN

MEDICAL SCHEME

## BOARD OF TRUSTEES

| | |
|---|---|
| **Principle Officer** | Stassen L (Leani) |
| **Chairperson** | Mashaba V (Vongani) |

| Employer Appointed Trustees | Member Appointed Trustees |
|---|---|
| Jansen van Vuuren Tiaan | Laubscher Christna |
| Cilliers Buks | Chabagae Lerato |
| | Diale Tshegofatso |

31 May 2021

Dear Members

**Amalgamation**

Lonmin Platinum, the sponsoring employer of Lonmin Medical Scheme, has been acquired by Sibanye Stillwater. Sibanye Stillwater is the sponsoring employer for Sisonke Health Medical Scheme.

Since it is not feasible to have two Medical Schemes operating within one employer group, Sibanye Stillwater has proposed to merge the two schemes into Sisonke Health Medical Scheme.

The schemes have been engaging with internal and external stakeholders on the merger process and have now lodged the Exposition Document with the Council for Medical Schemes and the Competition Commission.

The Medical Schemes Act has a strict process that must be followed for the merge to take place and we expect that it will be finalised during the course of 2021.

Kind regards

**Lonmin Medical Scheme**