

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF



GOLDEN ARROW
EMPLOYEES' MEDICAL BENEFIT FUND

WILL BE HELD ON WEDNESDAY, 26 JULY 2023 AT 19:00 AT THE RECRUITMENT AND TRAINING CENTRE, MAHILLION ROAD, PHILIPPI

AGENDA

1. To read the notice convening the Annual General Meeting
2. To confirm and sign the minutes of the Annual General Meeting held on Wednesday, 29 June 2022
3. To receive and adopt the Chairperson's report and the audited annual financial statements for the year ended 31 December 2022
4. To appoint the auditors for the ensuing year
5. Election of member-elected Trustee
 - i. Nominations to be returned to the Principal Officer **seven (7) days** prior to the Annual General Meeting; cut-off date: 19 July 2023
 - ii. Announcement of nominations received
 - iii. Voting for member-elected Trustee
6. General

All matters pertaining to the Fund to be submitted in writing **seven (7) days** prior to the Annual General Meeting; cut-off date: 19 July 2023
7. Benevolent Fund
8. Closure of meeting

By order of the Board

MARIEHETTE LOUWSMA (MS)
PRINCIPAL OFFICER

CAPE TOWN
JUNE 2023

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
MINUTES OF THE ANNUAL GENERAL MEETING HELD ON WEDNESDAY, 29 JUNE 2022 AT 19:00 AT THE
ARROWGATE DEPOT, 80 PALOTTI ROAD, MONTANA

PRESENT:

Fourteen members represented in person, the Vice-Chairperson, the Principal Officer, Trustees and representatives of the Administrator, Momentum Health Solutions (MHS)

APOLOGY:

Mr J Windt (PricewaterhouseCoopers [PwC])

1. WELCOME AND APOLOGIES

The Vice-Chairperson opened the meeting and welcomed those present.

The Vice-Chairperson noted that the meeting was **not** quorate, as the required number of members were not present in person. For this reason, the meeting was adjourned for 30 minutes, after which the Vice-Chairperson reconvened the meeting. The Vice-Chairperson read the notice convening the Annual General Meeting, which was circulated timeously to all members, and it was taken as **READ**.

2. MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 6 OCTOBER 2021

The minutes of the Annual General Meeting, which was held on 6 October 2021, was **APPROVED**, **ADOPTED** and **SIGNED** by the Vice-Chairperson.

3. CHAIRPERSON'S REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The annual report of the Board of Trustees for the year ended 31 December 2021, having been circulated, was presented to the meeting.

The following salient points were noted:

- The Fund continued its commitment to providing its members with appropriate healthcare funding. The Board of Trustees continued to steer the Fund through sound, ethical governance processes to ensure the pursuit of service excellence in the provision of medical cover for members of the Fund.
- The Fund continued to report positive financial results and maintained a strong financial position during 2021.
- Golden Arrow Bus Services (Pty) Ltd has no obligation to make any fixed contribution to the Fund or to guarantee the benefits provided by the Fund, but the company committed to making monthly contributions for the year ending 31 December 2021 totalling R36,372,000 in order to support the Fund.
- Membership of the Fund increased from 2,379 at the end of December 2020 to 2,520 at the end of December 2021. The average age of beneficiaries remained at 35 years and the pensioner ratio decreased from 6% to 5%.
- One of the most important factors that needed to be taken into consideration when enhancing benefits for the next year was that both the Fund rate (the rate at which the Fund reimburses claims) and the benefit limits needed to be increased.
- The first priority of the Fund was to ensure that the current benefits remained sustainable in the long term and could be maintained without increasing contributions too much. As a result, the benefit limits for 2021 were increased by 4% on all options.
- The Fund received a further exemption for prescribed minimum benefits from the Council for Medical Schemes until 31 December 2021.

As communicated at the end of 2020, the Fund announced its annual contribution increase of 4.5% for 2021, which was in line with the trend in the medical aid industry. The annual contribution increase review took into account the following uncontrollable and unavoidable factors:

- benefit changes;
- increases in tariffs, including those of healthcare providers;
- increases in the utilisation of benefits;
- the long-term sustainability of the Fund; and
- the affordability of member contributions.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
MINUTES OF THE ANNUAL GENERAL MEETING HELD ON WEDNESDAY, 29 JUNE 2022 AT 19:00 AT THE
ARROWGATE DEPOT, 80 PALOTTI ROAD, MONTANA (CONTINUED)

3. CHAIRPERSON'S REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

While the reserve ratio might have appeared to be more than adequate to keep contribution increases low, the Fund needed to factor in the unpredictability of the ever-changing healthcare market and the volatility of year-on-year claims experience. The uncertainty of the financial impact of the COVID-19 pandemic since 2020 poses a significant risk to the Fund and benefits and contributions will have to be carefully considered in future.

The Board expressed its appreciation to all members for their contribution and ongoing active participation in the Fund.

The annual Chairperson's report for the year ended 31 December 2021 was **RECEIVED** and **ADOPTED**.

The Vice-Chairperson noted, as mentioned in the past, that the full set of annual financial statements was available for perusal at the Fund's office at the Arrowgate Depot.

The annual financial statements for the year ended 31 December 2021 were **RECEIVED** and **ADOPTED**.

4. APPOINTMENT OF THE AUDITORS FOR THE ENSUING YEAR

The Vice-Chairperson informed the members that the Board of Trustees recommended the re-appointment of PwC as the Fund's External Auditors for the ensuing year.

The meeting unanimously **RE-APPOINTED** PwC as the Fund's auditors for 2023.

5. ELECTION OF MEMBER-ELECTED TRUSTEE

The Vice-Chairperson indicated that two valid nominations were received in respect of the following members and requested them to stand for everyone to see:

- Ms Leteacia Engelbrecht; and
- Mr Fernando van Wyk.

He requested members to consider their votes carefully and reiterated that the two nominees were present. The nominee with the highest number of votes would be elected as a member-elected Trustee and the member with the second-highest number of votes would be the alternate member-elected Trustee.

A member insisted on an explanation of the voting process and alleged that members had not received the notice of the meeting.

The Vice-Chairperson responded that the Board is governed by the rules of the Fund, which prescribe the procedures the Fund would follow. Should members wish to change any rule, they should submit their request for consideration to the Fund to be tabled and submitted for review and approval by the Registrar.

The member further questioned where to access the rules of the Fund.

MHS responded that the rules are not required to be available at the Annual General Meeting, but are available to all members on the Fund's website or from the Principal Officer, call centre or walk-in centre. Should the member wish to view the rules, MHS had a copy available.

It was further explained that, as per the rules, notice of the Annual General Meeting to members had been given 21 days prior to the meeting and that the Fund had given notice to members via email, SMS and, where no email address or cell phone number was available, by post in May 2022. The information is also available on the Fund's website. Furthermore, it was noted that it was the responsibility of members to read notifications and raise questions.

The meeting proceeded with the election process by completing ballot forms.

After the ballots that were cast were audited, it was determined that Ms Engelbrecht had been elected as member-elected Trustee by a majority vote (seven votes) and that Mr Van Wyk would serve as alternate member-elected Trustee (six votes).

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
MINUTES OF THE ANNUAL GENERAL MEETING HELD ON WEDNESDAY, 29 JUNE 2022 AT 19:00 AT THE
ARROWGATE DEPOT, 80 PALOTTI ROAD, MONTANA (CONTINUED)**

5. ELECTION OF MEMBER-ELECTED TRUSTEE (CONTINUED)

The Vice-Chairperson congratulated Ms Engelbrecht and Mr Van Wyk as the newly elected member and alternate member Trustees.

The appointments were unanimously **ADOPTED**.

6. GENERAL

The Vice-Chairperson indicated that normally only matters that had been submitted to the Fund in writing seven (7) days prior to the Annual General Meeting would be addressed at the meeting and individual enquiries would need to be referred to MHS. The Vice-Chairperson indicated that no questions were received by members and that two members had posed the following questions:

'Request regarding communication to members and notices

Mr Julies requested that notice of the Annual General Meeting be placed on notice boards to assist in increasing the attendance rate at future meetings. The Vice-Chairperson responded that the request would be taken into consideration and that every effort would be made to place notifications on notice boards for future meetings.

The Vice-Chairperson extended an invitation to the members to invite him to their meetings to familiarise them with the processes and rules of the Fund.

'Request to Trustees to enhance benefits due to high solvency

Mr Rinquest requested that, due to the Fund's high solvency ratio, the Trustees and MHS consider using a portion of the funds in reserve to enhance benefits. The Vice-Chairperson noted the request and undertook to ensure that the Trustees and MHS look at this request when discussing benefits.

7. BENEVOLENT FUND

The Chairperson reported that during the 2021 financial year, the total income received from contributions equalled R227,908.89. The statistics reflected that there was a total of 2,529 members at the end of the 2021 financial year and payments were made in respect of 26 deaths and 25 retirement levies.

8. CLOSURE OF MEETING

There being no further questions from the floor and no further business to discuss, the Vice-Chairperson thanked the members for their attendance, as well as the Trustees, Principal Officer, Auditors and the Administrator for their efforts over the past year.

The Chairperson declared the meeting closed at 20:05.

CHAIRPERSON

DATE

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
CHAIRPERSON'S REPORT FOR THE FINANCIAL YEAR 2022**

As Chairperson of the Board of Trustees of Golden Arrow Employees' Medical Benefit Fund (the Fund), I present the annual report of the Board of Trustees for the year ended 31 December 2022.

The Fund continued its commitment to providing its members with appropriate healthcare funding. The Board of Trustees continued to steer the Fund through sound, ethical governance processes to ensure the pursuit of service excellence in the provision of medical cover for members of the Fund.

The Fund continued to report positive financial results and maintained a strong financial position during 2022.

Golden Arrow Bus Services (Pty) Ltd has no obligation to make any fixed contribution to the Fund or to guarantee the benefits provided by the Fund, but the company committed to making monthly contributions for the year ending 31 December 2022 totalling R36,372,000 in order to support the Fund.

Therefore, the reserve ratio continued to exceed the required statutory rate of 25%. This favourable position is welcomed in a year in which the healthcare industry continued to be challenged by financial and legislative changes.

Membership of the Fund increased from 2,520 at the end of December 2021 to 2,630 at the end of December 2022. The average age of beneficiaries increased from 35 to 36 years and the pensioner ratio remained at 5%.

One of the most important factors that needs to be taken into consideration when enhancing benefits for the next year is that both the Fund rate (the rate at which we reimburse claims) and the benefit limits need to be increased.

The first priority of the Fund is to ensure that the current benefits remain sustainable in the long term and can be maintained without increasing contributions too much. As a result, the benefit limits for 2022 were increased by 3.75% on all the options.

The Fund also received a further exemption for prescribed minimum benefits from the Council for Medical Schemes until 31 December 2022.

As communicated at the end of November 2021, the Fund announced its annual contribution increase of 3.75% for 2022, which was in line with the trend in the medical aid industry. The annual contribution increase review takes into account the following uncontrollable and unavoidable factors:

- benefit changes;
- increases in tariffs, including those of healthcare providers;
- increases in the utilisation of benefits;
- the long-term sustainability of the Fund; and
- the affordability of member contributions.

While the reserve ratio may appear to be more than adequate to keep contribution increases low, we need to factor in the unpredictability of the ever-changing healthcare market and the volatility of year-on-year claims experience.

The Board expresses its appreciation to all members for their contribution and ongoing active participation in the Fund. We look forward to yet another successful year for the Fund in which our members and their dependants will enjoy good health.



AREND LEVENDAL
CHAIRPERSON

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022**

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2022.

Registration number: 1270

1. DESCRIPTION OF THE FUND

1.1 Terms of registration

Golden Arrow Employees' Medical Benefit Fund (the 'Fund') is a not-for-profit fund registered in terms of the Medical Schemes Act No 131 of 1998, as amended (the 'Act'). Membership of the Fund is open to all employees of Golden Arrow Bus Services (Pty) Ltd and any other institution to whose employees' membership has been extended by the Board of Trustees appointed to manage the Fund in terms of the rules.

1.2 Benefit options within the Fund

The Fund offers three benefit options, namely:

- Primary;
- Standard; and
- Advanced.

1.3 Risk transfer arrangement

The Fund has entered into a capitation agreement with Netcare 911 (Pty) Ltd to provide emergency transport to all the beneficiaries registered on the Fund.

The results of this agreement is set out in note 7 to the annual financial statements.

2. MANAGEMENT

2.1 Board of Trustees

The names of the Trustees in office during the year and up to the date of signing this report are:

Employer Trustees

Mr D Watson (Chairperson)	Resigned: June 2022
Mr Y Abrahams (Vice-Chairperson)	Appointed: May 2022
Mr I de Mink (Vice-Chairperson)	Term expired: April 2022
Mr K Patterson	

Member Trustees

Ms G Abrahams	
Ms L Engelbrecht	Elected: June 2022
Mr J Maggott	
Mr F van Wyk	Term expired: June 2022

2.2 Principal Officer

Ms Marihette Louwsma

Business address

Arrowgate Depot
Pallotti Road
Montana Estate
Cape Town

Postal address

PO Box 1795
Cape Town
8000

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)**

2. MANAGEMENT (CONTINUED)

2.3 Registered office and postal address

Registered office	Postal address
Arrowgate Depot Pallotti Road Montana Estate Cape Town	PO Box 1795 Cape Town 8000

2.4 Fund Administrator during the year

Momentum Health Solutions (Pty) Ltd

Business address	Postal address
268 West Avenue Centurion Gauteng 0157	PO Box 7400 Centurion 0046

2.5 Independent Auditors

Strachan & Crouse (Appointed – September 2022)

Business address	Postal address
1226 Francis Baard Street Hatfield Pretoria 0083	Private Bag X15 Menlo Park 0102

2.6 Actuaries

NMG Actuarial & Specialised Consulting

Business address	Postal address
Belvedere Office Park Block B Pasita Street Tygervalley 7536	PO Box 3950 Tygervalley 7536

2.7 Investment manager during the year

Prescient Investment Management (Pty) Ltd

Business address	Postal address
Prescient House The Terraces Steenberg Boulevard Steenberg Office Park Cape Town 7945	PO Box 31142 Tokai 7966

Financial services provider number: 2545

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

2. MANAGEMENT (CONTINUED)

2.8 Capitation service provider

Netcare 911 (Pty) Ltd

Business address

Netcare 911 House
49 New Road
Midrand
1685

Postal address

PO Box 3455
Halfway House
1685

3. INVESTMENT STRATEGY OF THE FUND

The Fund's investment objectives are to maximise the return over the long term with minimum risk. The investment strategy takes into consideration both constraints imposed by legislation and the Board of Trustees.

The Board of Trustees is responsible for all the investment decisions and part of its strategy is to ensure that:

- the Fund remains liquid;
- that investments are placed at minimum risk and maximum return, with no risk of loss of capital;
- that investments made are within the regulations of the Medical Schemes Act No 131 of 1998, as amended; and
- a risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified.

The Fund invested in short-term fixed deposits, equities, bonds, money-market instruments and cash during 2022. This policy is reviewed annually, taking into consideration compliance with the Act, the risk and returns of the various investment instruments and the surplus of funds available to invest.

4. MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried out by the Fund assumes the risk of loss from members and their dependants related to the health of the Fund's members. As such, the Fund is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

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

The Fund uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques. The Board of Trustees frequently assess the necessity to enter into risk transfer arrangements in order to manage the Fund's insurance risk.

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

5.1 Results of operations

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

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (CONTINUED)

5.2 Operational statistics – current year

2022

	Primary	Standard	Advanced	Total
Number of members at the end of the year	24	2,349	257	2,630
Average number of members for the year	25	2,304	263	2,592
Number of beneficiaries at the end of the year	26	4,296	532	4,854
Average number of beneficiaries for the year	27	4,292	549	4,868
Number of dependants at the end of the year	2	1,947	275	2,224
Average number of dependants for the year	2	1,989	286	2,277
Dependant ratio at the end of the year	0.1	0.8	1.1	0.8
Average age of beneficiaries for the year	83	34	46	36
Pensioner ratio at the end of the year	100%	3%	17%	5%
Average contributions per member per month (R)	464	1,330	2,253	1,415
Average contributions per beneficiary per month (R)	429	714	1,079	754
Average claims incurred per member per month (R)	644	1,460	3,810	1,690
Average claims incurred per beneficiary per month (R)	597	784	1,825	900
Average administration costs per member per month (R)	204	203	202	203
Average administration cost per beneficiary per month (R)	189	109	97	108
Average managed care services per member per month (R)	82	81	81	81
Non-health expenses per beneficiary per month (R)	189	109	97	108
Relevant healthcare expenses per beneficiary per month (R)	602	786	1,828	1,072
Amount paid to the Administrator (R)	54,531	5,025,538	573,662	5,653,730
Average accumulated funds per member at 31 December (R)	N/A	N/A	N/A	66,572
Relevant healthcare expenditure as a percentage of contributions *	140%	110%	169%	120%
Managed care: Management services as a percentage of contributions	18%	6%	4%	6%
Non-health expenses as a percentage of contributions	44%	15%	9%	14%
Return on investments as a percentage of investments	N/A	N/A	N/A	4%
Reserves per beneficiary (R)	N/A	N/A	N/A	36,070

Operational statistics – prior year

2021

	Primary	Standard	Advanced	Total
Number of members at the end of the year	27	2,230	263	2,520
Average number of members for the year	30	2,136	278	2,444
Number of beneficiaries at the end of the year	29	4,225	562	4,816

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (CONTINUED)

5.2 Operational statistics – prior year (continued)

2021

	Primary	Standard	Advanced	Total
Average number of beneficiaries for the year	33	4,182	594	4,809
Number of dependants at the end of the year	2	1,995	299	2,296
Average number of dependants for the year	3	2,047	316	2,366
Dependant ratio at the end of the year	0.1	0.9	1.1	0.9
Average age of beneficiaries for the year	83	34	45	35
Pensioner ratio at the end of the year	100%	3%	17%	5%
Average contributions per member per month (R)	503	1,320	2,182	1,408
Average contributions per beneficiary per month (R)	457	674	1,021	716
Average claims incurred per member per month (R)	591	1,556	3,588	1,775
Average claims incurred per beneficiary per month (R)	537	795	1,679	902
Average administration costs per member per month (R)	201	201	200	201
Average administration cost per beneficiary per month (R)	183	103	94	102
Average managed care services per member per month (R)	79	78	78	78
Non-health expenses per beneficiary per month (R)	183	103	94	102
Relevant healthcare expenses per beneficiary per month (R)	537	794	1,679	1,003
Amount paid to the Administrator (R)	63,027	4,487,548	584,054	5,134,629
Average accumulated funds per member at 31 December (R)	N/A	N/A	N/A	58,853
Relevant healthcare expenditure as a percentage of contributions *	117%	118%	164%	126%
Managed care: Management services as a percentage of contributions	16%	6%	4%	6%
Non-health expenses as a percentage of contributions	40%	15%	9%	14%
Return on investments as a percentage of investments	N/A	N/A	N/A	9%
Reserves per beneficiary (R)	N/A	N/A	N/A	30,795

* The employer grant is not included in the ratio: Relevant healthcare expenditure as a percentage of contributions.

5.3 Operational statistics for the Fund

	2022	2021
	R	R
Average accumulated funds per member	66,572	58,853
Breakdown of total amount paid to Administrator:		
- Administration fees	5,653,730	5,134,629
Return on investments as a percentage of investments	3.73%	8.51%

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (CONTINUED)

5.4 Accumulated funds ratio

The accumulated funds ratio is calculated on the following basis:

	2022	2021
	R	R
Total members' funds per statement of financial position	175,083,632	148,309,721
Less: Cumulative unrealised net gains on investments	-	(1,927,806)
Accumulated funds per Regulation 29	<u>175,083,632</u>	<u>146,381,915</u>
Annual contributions	<u>44,019,438</u>	<u>41,306,480</u>
Accumulated funds ratio (accumulated funds/annual contributions) including the employer grant as shown in note 6 below.	<u>397.74%</u>	<u>354.38%</u>

5.5 Outstanding claims

The basis of calculation and the movement of the outstanding claims provision is discussed in notes 1.7(ii) and 6 to the annual financial statements and this is consistent with the prior year. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Fund. The movements in the outstanding claims provision are set out in note 6 to the annual financial statements.

5.6 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 Trustees believe should be brought to the attention of the members of the Fund.

6. EMPLOYER GRANT

Golden Arrow Bus Services (Pty) Ltd has no obligation to make any fixed contribution to the Fund or to guarantee the benefits provided by the Fund, but the company has committed to make monthly contributions for the year ending 31 December 2022 totalling R36,372,000 (2021: R36,372,000) in order to support the Fund for the foreseeable future.

7. ACTUARIAL SERVICES

The Fund's actuaries have been consulted in the determination of the contribution and benefit levels. They monitor the Fund's claims expenditure and underwriting results on a monthly basis.

8. EVENTS AFTER REPORTING DATE

At the date of finalisation of the annual financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the annual financial statements.

9. INVESTMENT IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE FUND AND TO OTHER RELATED PARTIES

The Fund holds no investments in and granted no loans to participating employers of the Fund's members. Note 13 to the annual financial statements fully discloses related-party transactions.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

10. AUDIT COMMITTEE

An audit committee was established on 31 March 2005 in accordance with the provisions of the Medical Schemes Act No 131 of 1998, as amended. The audit committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. At present, the committee consists of five members of whom two are members of the Board of Trustees. The committee met on two occasions during the year, as follows:

- 31 March 2022; and
- 9 November 2022.

Attendance of these meetings are disclosed in note 11 of the report of the Board of Trustees. The audit committee members, the Fund Administrator and the external auditors attend committee meetings and have unrestricted access to the chairperson of the committee.

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

Trustee resignations during the year resulted in it being non-compliant with the minimum requirements for the composition of an audit committee. The positions will be filled in 2023 to be compliant with the provisions of the Act.

The audit committee for the year under review comprised:

- | | | |
|------------------|---------------------------|--------------------------|
| - Ms D Vlahos | Non-Trustee (Chairperson) | |
| - Ms C Esmeraldo | Non-Trustee | |
| - Ms U Gribble | Non-Trustee | |
| - Mr I de Mink | Trustee | Term expired: April 2022 |
| - Mr D Watson | Trustee | Resigned: June 2022 |
| - Mr Y Abrahams | Trustee | Appointed: May 2022 |

11. BOARD OF TRUSTEES AND AUDIT COMMITTEE MEETING ATTENDANCE

The following schedule sets out the number of meetings attended by the Board of Trustees and audit committee members:

Trustee/Audit committee members	Board meetings		Audit committee	
	A	B	A	B
Number of meetings	4		2	
Ms G Abrahams	4	4		
Mr Y Abrahams (Vice-Chairperson) (appointed: May 2022)	3	3	1	1
Mr I de Mink (Vice-Chairperson) (term expired: April 2022)	1	1	1	0
Ms L Engelbrecht (Elected: June 2022)	2	2		
Mr J Maggott	4	4		
Mr K Patterson	4	4		
Mr F van Wyk (term expired: June 2022)	2	2		
Mr D Watson (Chairperson) (resigned: June 2022)	2	1	1	1
Ms C Esmeraldo			2	2
Ms U Gribble			2	2
Ms D Vlahos			2	2
Ms M Louwsma (Principal Officer)	4	4	2	2

A – Total possible number of meetings that could have been attended.

B – Actual number of meetings attended.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

12. NON-COMPLIANCE MATTERS

The following areas of non-compliance with the Act were identified during the year:

12.1 Contravention of Section 26(7) of the Medical Schemes Act

Nature and impact

In terms of Section 26(7) of the Medical Schemes Act, it is a requirement that contributions be received within three days of becoming due. This is an industry-wide problem and is not confined to Golden Arrow Employees' Medical Benefit Fund.

Causes for the failure

The non-compliance relates to instances during the year when contributions were received more than three days after the due date.

Corrective action

There was continuous communication to employer groups to emphasise the importance of prompt payment.

12.2 Contravention of Section 36(10) of the Medical Scheme Act

Nature and impact

In terms of Section 36 (10) of the Act, the audit committee must have a minimum of at least five members of whom three shall be independent members. Resignations during the year resulted in it being non-compliant with the minimum requirements for the composition of an audit committee.

Causes for the failure

Trustee resignations during the year resulted in it being non-compliant with the minimum requirements for the composition of an audit committee.

Corrective action

Appointments were made during 2023 to meet the minimum requirements for the composition of an audit committee.

12.3 Contravention of Section 33(2) of the Medical Schemes Act

Nature and impact

Section 33(2) of the Act indicates that the Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit options shall be self-supporting in terms of membership and financial performance and are financially sound. The Registrar may withdraw benefit options directly affecting the members on these options.

At 31 December 2022 the following options reported a deficit for the year:

	Net healthcare result	Employer grant	Surplus for the year
	R	R	R
Primary	(120,616)	208,889	142,770
Standard	(9,680,003)	30,025,443	25,521,607
Advanced	(5,609,011)	6,137,668	1,109,534

Causes for the failure

The Fund was specifically costed to incur net healthcare deficits on the options, as the increase necessary to achieve a net healthcare surplus would have been too onerous for members on the options.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

12. NON-COMPLIANCE MATTERS (CONTINUED)

12.3 Contravention of Section 33(2) of the Medical Schemes Act (continued)

Corrective action

As the solvency ratio at reporting date was 397.74%, the Board of Trustees was comfortable that the Fund would remain compliant with the minimum solvency ratios prescribed by the Medical Schemes Act.

12.4 Contravention of Section 35(8)(c) of the Medical Schemes Act

Nature and impact

The Fund holds investments in Discovery Holdings Ltd. This is in contravention of Section 35(8)(c) of the Act, as the Fund is not allowed to hold investments in the holding company of the Administrator or any other administrator.

Causes for the failure

The Fund invested in a pooled fund and does not have control of the investment decisions relating to the underlying assets.

Corrective action

The Fund received an exemption in December 2020 from the Council for Medical Schemes in terms of Section 35(8). The exemption is valid for a period of three years.

13. FIDELITY COVER

In accordance with the rules, the Fund has insurance with Camargue (policy no MEDC46689097) to cover these risks. On 31 December 2022 the total cover was R8,000,000 (2021: R8,000,000).

14. OTHER MATTERS

The Fund obtained exemption from compliance with the prescribed minimum benefits requirements. This exemption was obtained until 31 December 2023, subject to reconsideration by the Registrar should the Fund or industry change significantly.

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022**

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements that fairly present the state of affairs of the Fund as at the end of the accounting year and the results of its operations and cash flow information for the year ended. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Medical Schemes Act, No 131 of 1998, as amended, and includes amounts based on judgements and estimates made by the Trustees.

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

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

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

Golden Arrow Employees' Medical Benefit Fund operates in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the Fund are being controlled.

The going-concern basis has been adopted in preparing the annual financial statements. The Trustees have no reason to believe that the Fund will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the Fund. The continued long-term financial viability of the Fund is dependent upon the employer continuing to make grants to the Fund. The Trustees do not currently have any basis to assume that the grant, although at the employer's discretion, will not continue into the future. With the outbreak of the coronavirus, the Trustees continue to be of the opinion that the Fund will be able to continue as a going concern; refer to note 8 of the report of the Board of Trustees for additional disclosure on events after reporting date.

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

The annual financial statements were approved by the Board of Trustees on 24 April 2023 and is signed on its behalf:



Mr Y Abrahams
Vice-Chairperson



Mr J Maggott
Trustee



Ms M Louwsma
Principal Officer

24 April 2023

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022**

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Golden Arrow Employees' Medical Benefit Fund is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Trustees are proposed and elected by the members of the Fund and the employer.

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the Administrator. They address a range of key issues and ensure 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, where appropriate, may seek independent professional advice at the expense of the Fund.

INTERNAL CONTROL

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

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



Mr Y Abrahams
Vice-Chairperson



Mr J Maggott
Trustee

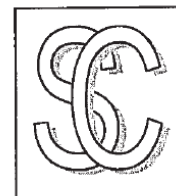


Ms M Louwsma
Principal Officer

24 April 2023

STRACHAN & CROUSE

CHARTERED ACCOUNTANTS (SA)
REGISTERED AUDITORS



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OUR REF : 7/26830

Independent Auditor's Report

To the Members of Golden Arrow Employees' Medical Benefit Fund

Report on the Financial Statements

Opinion

We have audited the financial statements of Golden Arrow Employees' Medical Benefit Fund (the Scheme), set out on pages 23 to 55, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in members' 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 Golden Arrow Employees' Medical Benefit Fund as at 31 December 2022 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.

VENNOTE / PARTNERS: D G STRACHAN, C CROUSE, G S MEIRING, L N VILJOEN

The IRBA Code is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

Key audit matter	How our audit addressed the key audit matter
<p>Claims</p> <p>Claims amounted to R50m in the current financial year. Refer to note 7 in the financial statements. Risk claims incurred is a key driver in determining the sustainability of the Scheme. Due to the significance of the matter to the financial statement as a whole and the fact that claims are inherently susceptible to fraud and error, we identified claims to be a key audit matter.</p> <p>The majority of claims are received via electronic data interchange (EDI) and significant controls are implemented to ensure that only valid claims are processed and paid. The payment of valid claims is dependent on the integrity of the administration system of the Scheme's Administrator.</p> <p>A clinical committee evaluates claims on a regular basis and compares claims data on an analytical basis from month to month.</p>	<p>We focused on testing on the controls implemented by management to ensure that all claims payable are accounted for and only valid claims are processed and paid.</p> <p>We obtained an understanding of the role that the internal audit department of the Administrator played in identifying fraudulent claims.</p> <p>We obtained an understanding of the role of the clinical committee in approving claims to be paid.</p> <p>Through the use of computer-assisted audit techniques, we interrogated the full claims status and identified those claims which could be subject to audit.</p> <p>We evaluated the accuracy of the master file healthcare benefits and tariff codes on the administration platform and that members' benefit options are correctly loaded.</p> <p>We evaluated and considered the findings, as issued by the independent auditors of the Administrator of the Scheme, on the control and information system processing environment of the Administrator.</p>
<p>in terms of the Medical Schemes Act, members have had four months from the date on which the medical service was rendered to submit their claims to the Scheme.</p> <p>The Scheme makes a provision for medical services rendered but not submitted at year end in order to disclose</p>	<p>We assessed the capabilities, competence and objectivity of the actuary and verified his qualifications. We discussed the scope of the actuary's work with management and reviewed his terms of engagement to determine that there were no matters that affected his independence or objectivity or limited the scope of his activities.</p>

<p>the ultimate cost of settling all claims for the year.</p> <p>The carrying value of the IBNR amounts to R1.8m at year end. Refer to Note 6 in the financial statements.</p> <p>Significant judgment and assumptions are required by the Trustees to determine the value of the provision. A change in the expected percentage of claims in terms of timing or value can cause a material change in the provision.</p> <p>We identified the value of the provision as a key audit matter due to the significance of the judgment and assumptions associated with the value of the provision.</p> <p>The Scheme uses an independent actuary to determine the value of the unexpired claims provision.</p>	<p>We evaluated the significant assumptions made by management, including the quality of data used, the period elapsed between the year end and the reporting date and entity-specific historical information.</p> <p>We compared the value of the provision by the actuary to the portion of outstanding claims provision period to 31 March 2023 to evaluate the provision.</p>
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Other Information

The Scheme's Trustees are responsible for the other information. The other information comprises the report of the 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 scepticism 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

In terms of CMS Circular 38 of 2018 Audit tenure, we report that Strachan & Crouse has been the auditor of Golden Arrow Employees' Benefit Fund for one year.

The engagement partner, GS Meiring, has been responsible for Golden Arrow Employees' Medical Benefit Fund's audit for one year.

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:

- i. Section 26(7) – contributions received more than three days after the due date.
- ii. Section 36(10) – minimum requirements for the composition of an audit committee
- iii. Section 33(2) – benefit options shall be self-supporting; all benefit options not self-supporting
- iv. A medical scheme is not allowed any investments in the business of an administrator of a medical scheme or holding company of an administrator; proviso exemption with expiry dates obtained on this section from the Council of Medical Schemes.


STRACHAN & CROUSE
GS Meiring
Partner
Registered Auditor
24 April 2023

Capital Junction
1226 Francis Baard Street
Hatfield
0083

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
STATEMENT OF FINANCIAL POSITION
as at 31 December 2022

	Notes	2022 R	2021 R
ASSETS			
Non-current assets			
Financial assets at fair value through profit and loss	2	121,677,006	103,464,920
Current assets			
Trade and other receivables	3	6,777,872	6,568,563
Cash and cash equivalents	4	51,591,018	42,000,428
Total assets		180,045,896	152,033,911
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		175,083,632	148,309,721
Current liabilities			
Trade and other payables	5	3,072,564	2,267,832
Outstanding claims provision	6	1,889,700	1,456,358
Total funds and liabilities		180,045,896	152,033,911

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Notes	2022 R	2021 R
Risk contribution income	25	44,019,438	41,306,480
Relevant healthcare expenditure		(52,743,424)	(52,036,726)
Net claims incurred		(52,575,204)	(52,055,110)
Risk claims incurred	7	(50,180,038)	(49,756,195)
Managed care: Management services	8	(2,531,305)	(2,298,915)
Third-party claims recoveries		136,139	-
Net (expense)/income on risk transfer arrangements	7	(168,220)	18,384
Premiums paid on risk transfer arrangements		(541,588)	(496,268)
Recoveries from risk transfer arrangements		373,368	514,652
Gross healthcare result		(8,723,986)	(10,730,246)
Administration and other expenses	9	(6,300,019)	(5,885,952)
Net impairment loss on healthcare receivables	10	(385,625)	(26,345)
Net healthcare result		(15,409,630)	(16,642,543)
Other income		42,828,124	48,753,531
Grant	11	36,372,000	36,372,000
Investment income	12	10,481,053	7,044,801
Realised (loss)/gain on financial assets at fair value through profit and loss	2	(1,762,698)	2,223,543
Unrealised (loss)/gain on financial assets at fair value through profit and loss	2	(2,262,231)	3,113,187
Other expenditure		(644,583)	(479,118)
Investment management fees		(644,583)	(479,118)
Net surplus for the year		26,773,911	31,631,870

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2022**

	Total members' and accumulated funds R
Opening balance at 1 January 2021	116,677,851
Net surplus for the year	31,631,870
Closing balance for the year ended 31 December 2021	<u>148,309,721</u>
Opening balance at 1 January 2022	148,309,721
Net surplus for the year	26,773,911
Closing balance for the year ended 31 December 2022	<u>175,083,632</u>

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Note	2022 R	2021 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		43,946,268	41,062,019
Cash receipts from members – contributions		43,870,146	41,018,947
Cash receipts from members and providers – others		76,122	43,072
Cash paid to providers, employees and members		(58,329,613)	(58,377,698)
Cash paid to providers, employees and members – claims		(51,643,969)	(52,465,401)
Cash paid to providers, employees and members – non-healthcare expenditure		(6,685,644)	(5,912,297)
Cash utilised in operations		(14,383,345)	(17,315,679)
Cash receipts (other): Employer grant		36,372,000	36,372,000
Net cash from operations		21,988,655	19,056,321
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(15,000,000)	(25,000,000)
Interest received		2,601,935	1,708,896
Net cash utilised in investing activities		(12,398,065)	(23,291,104)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		9,590,590	(4,234,783)
Cash and cash equivalents at the beginning of the year		42,000,428	46,235,211
Cash and cash equivalents at the end of the year	4	51,591,018	42,000,428

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the annual financial statements are set out below and are in accordance with International Financial Reporting Standards (IFRS). These policies were consistently applied to all years presented, unless otherwise stated.

1.1 Basis of preparation

The annual financial statements are prepared in accordance with IFRS. IFRS comprise International Financial Reporting Standards, International Accounting Standards (IAS) and the interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB). The annual financial statements are prepared on a going concern basis using the historical cost convention, except for financial assets investments, which are carried at fair value.

The following standards, amendments to standards, improvements and interpretations are relevant, but not effective for the Fund:

Effective date	Standard, amendment, improvement or interpretation	Summary of requirements
Effective for annual periods beginning on or after 1 January 2023	Amendment to IFRS 17 – Insurance Contracts	IFRS 17 will impact the measurement of the contracts with members in the Fund's financial statements. The Fund will qualify for the premium allocation approach, which requires the Fund to recognise a liability for remaining coverage (with reference to the premiums received) and liability for incurred claims (calculated as the expected cash outflows and a risk adjustment). The Fund expects that the boundary of the contracts with members will be one year. The Fund will be required to assess for onerous contracts at the point members elect the benefit option for the following year.

Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. As IFRS 17 is effective for annual periods beginning on or after 1 January 2023, the Fund has not adopted the amendment and the impact of this amendment is still being assessed by the Fund.

The first year-end date for which the new IFRS 17 accounting standard will apply is 31 December 2023. This means that the IFRS 17 standard will have to be applied in a similar way for the comparative year-end date within the 2023 financial reporting period for the 31 December 2022 financial period.

Risk adjustment to the outstanding risk claims provision

The measurement of the IFRS 17 insurance contract liability requires a risk adjustment for non-financial risk, which is intended to inform users of the annual financial statements regarding the amount charged by the entity for the uncertainty in amount and timing of cash flows.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation (continued)

Onerous contract recognition

The provisions of IFRS 17 require an onerous contract (i.e. one that is expected to be loss-making) to have the expected loss recognised as the Fund becomes aware of it rather than as the contract unwinds (as is currently the case). In the case of the Fund, a contract has been defined as the whole Fund, i.e. an onerous contract will only exist if a loss-making projection/budget is approved at a Fund level. In practice, this means that when the contribution increases are approved, any loss projected for the next year using the new contribution increases will be considered an onerous contract.

1.2 Financial instruments

The Fund classifies its financial assets under IFRS 9 in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI).

The Fund reclassifies debt investments when and only when its business model for managing those assets.

The Fund has grouped the financial instruments into the following categories:

- trade and other receivables;
- cash and cash equivalents;
- accounts payable; and
- financial assets at fair value through profit and loss.

The classification depends on the purpose for which the financial instruments are acquired. 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 Fund commits to purchase the financial asset or assume financial liability. All financial assets are recognised initially at fair value plus directly attributable transaction costs.

Financial assets

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

Classification

IFRS 9 contains three major categories relating to the classification of debt instruments:

- measured at amortised cost;
- measured at fair value through other comprehensive income (FVOCI); and
- measured at fair value through profit or loss (FVTPL).

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

(a) Amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

1. the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
2. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Fair value through other comprehensive income (FVOCI)

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

1. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
2. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Fair value through profit or loss (FVTPL)

Financial assets shall be measured at fair value through profit or loss, unless it is measured at amortised cost or at fair value through other comprehensive income. However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments, that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income.

Initial and subsequent measurement

Financial assets held at amortised cost

Trade and other receivables are initially measured at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method.

Interest income is recognised less any expected credit impairment losses, which are recognised as part of credit impairment charges.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the profit or loss. Gains or losses arising from changes in the fair value, dividend and interest returns are presented in profit or loss within the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents comprise current accounts and deposits held on call with banks. Cash and cash equivalents are subsequently measured at amortised cost.

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. Cash and cash equivalents have a maturity of less than three months and insignificant risk of changes in fair value.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

(c) *Fair value through profit or loss (FVTPL) (continued)*

Derecognition of assets or financial liabilities

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

Where the Fund neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Fund determines whether it has retained control of the financial asset. In this case:

- (i) if the Fund has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; and
- (ii) if the Fund has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a current legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities

The Fund is not permitted to borrow, in terms of Section 35 (6)(c) of the Medical Schemes Act 131 of 1998, as amended. The Fund therefore has no long-term 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 and other payables.

The Fund has grouped the financial liabilities into the following categories:

- financial liabilities; and
- outstanding claims provision.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Insurance payables

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

1.3 Impairment of assets

The Fund recognises a loss allowance for expected credit losses on trade and other receivables. The expected credit loss model requires the Fund to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.3 Impairment of assets (continued)

In determining impairment of insurance receivables, the incurred loss model adopted under IFRS 4: Insurance Contracts has been assessed and is reasonable and appropriate to determine impairment of Insurance Receivables and this model will continue to be applied and the expected credit loss model not adopted to determine impairment of Insurance Receivables.

The Fund classifies its investments as fair value through profit or loss. Impairment in financial instruments is therefore recognised in profit or loss, as and when it occurs.

1.4 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

1.5 Insurance contracts

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

1.6 Risk contribution income

Risk contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. The earned portion of contributions received is recognised as revenue. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. Risk contributions are shown before any deductions of costs.

1.7 Relevant healthcare expenditure

Relevant healthcare expenditure consists of net claims incurred, managed care services and a net income or expense from risk transfer arrangements.

(i) Claims incurred

Claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Fund is responsible, whether or not reported by the end of the year.

Claims incurred comprise:

- claims submitted and accrued for services rendered during the year;
- claims for services rendered during the previous year not included in the outstanding claims provision for that year;
- claims settled in terms of the Fund's risk transfer arrangements; and
- movement in the outstanding claims provision.

Claims incurred relating to the risk transfer arrangement are calculated by applying an inflation-adjusted National Health Reference Price List (NHRPL) to the different categories of services provided by the capitation providers. Anticipated recoveries under the risk transfer arrangement are disclosed separately as assets and are estimated in a manner consistent with the outstanding claims provision, claims reported not yet paid and settled claims associated with the risk transfer arrangements.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.7 Relevant healthcare expenditure (continued)

(ii) Outstanding claims provision

The outstanding claims provision is a provision made for the estimated cost of healthcare benefits that have occurred before the year end, but that have not been reported to the Fund by that date. This provision is 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.

The Fund does not discount its provision for outstanding claims on the basis that claims must be submitted within four months of the medical event.

(iii) Liabilities and related assets under liability adequacy test

At the reporting date, liability adequacy tests are performed to ensure the adequacy of the member insurance contract liabilities. The liability for insurance contracts is tested for adequacy by comparing current estimates of all future cash flows to the carrying value of the liability net of any related assets. Where a shortfall is identified, an additional provision is made and the Fund recognises the deficiency in profit and loss for the year.

(iv) Risk transfer arrangements

Risk transfer arrangements are contractual arrangements whereby a third party undertakes to indemnify the Fund against all or part of the loss that the Fund may incur as a result of carrying on the business of a medical scheme. Risk transfer arrangements do not reduce the Fund's primary obligation to the members and their dependants, but the arrangement only decreases the loss the Fund may suffer as a result of the carrying on of 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 premiums and benefits reimbursed are presented in profit and loss in the statement of comprehensive income and statement of financial position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Claims recoveries relating to the risk transfer arrangement are calculated by applying an inflation-adjusted National Health Reference Price List (NHRPL) to the different categories of services provided by the capitation providers.

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 provision, claims reported not yet paid and settled claims associated with the risk transfer arrangements.

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

1.8 Managed care: Management services expenses

These expenses represent the amounts paid or payable for managing the utilisation, costs and quality of healthcare services to the Fund.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.9 Interest income

Interest is recognised on a time-proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Fund.

1.10 Employer grant

Grant income is recognised on an accrual basis, based on the amount the employer has agreed to pay.

1.11 Income from collective investment schemes

Income from collective investment schemes is recognised when entitlement to receive income is established.

1.12 Functional and presentation currency

Items included in the annual financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Fund (the 'functional currency'). The annual financial statements are presented in South African rand (the 'presentation currency'), which is the functional currency of the Fund.

1.13 Reimbursements from the Road Accident Fund

The Fund grants assistance to its members in defraying expenditure incurred in connection with rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the Road Accident Fund (the 'RAF'), administered in terms of the Road Accident Fund Act No 56 of 1996. If the member is reimbursed by the RAF, he or she is obliged contractually to cede that payment to the Fund to the extent that he or she has already been compensated.

A reimbursement from the RAF is a possible asset that arises from a claim submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. The contingent assets are assessed continually to ensure that developments are appropriately reflected in the annual financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the annual financial statements in the period in which the change occurs. If an inflow of economic benefits has become probable, the Fund discloses the contingent asset. Amounts received in respect of reimbursements from the RAF are recognised as part of net claims incurred in the statement of comprehensive income.

1.14 Key sources of estimation uncertainty and critical judgments

The preparation of the annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements, are disclosed in note 17.

1.15 Allocation of income and expenses to the different options

Except for contribution income, grant income and claims expenditure, other income and expenses are allocated monthly on a pro rata basis based on the number of members on each option. Grant income is split based on calculations by NMG (actuaries). Contributions and claims are allocated based on the actual member options selected.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

SEGREGATED PORTFOLIO	2022	2021
	R	R
Fair value at the beginning of the year	103,464,920	68,258,418
Purchases	15,000,000	25,000,000
Realised (loss)/gain on financial assets at fair value through profit and loss	(1,762,698)	2,223,543
Unrealised (loss)/gain on financial assets at fair value through profit and loss	(2,262,231)	3,113,187
Capitalised interest	7,880,967	5,336,354
Cost incurred in managing investments	(643,952)	(466,582)
Fair value at the end of the year	<u>121,677,006</u>	<u>103,464,920</u>

The investment included above is administered by Prescient Investment Management (Pty) Ltd. It has no fixed date to maturity. The fair value of the investment is based on market values at 31 December 2022.

The look-through financial assets segregated portfolio comprises:

Bonds one to three years	5,405,815	2,519,164
Bonds three years and above	57,833,402	42,347,762
Money-market instruments and cash	36,671,524	7,210,333
Collective investment schemes	14,959,803	31,366,054
Equities	1,119,754	15,157,547
Private company	5,686,708	4,864,060
Fair value at the end of the year	<u>121,677,006</u>	<u>103,464,920</u>

The financial assets have been classified as non-current, as management has no intention of utilising any funds of the investment within the next 12 months.

A register of investments is available for inspection at the registered office of the Fund.

3. TRADE AND OTHER RECEIVABLES

Insurance receivables

Risk contributions outstanding	3,706,215	3,556,923
Member and service provider debt	447,716	4,621
Risk transfer arrangements – share of outstanding claims provision	28,728	30,285
	<u>4,182,659</u>	<u>3,591,829</u>
Less: Provision for impairment on insurance receivables	(456,648)	(73,278)
- Carrying amount at the beginning of the year	(73,278)	(47,260)
- Adjustments made in the year	(383,370)	(26,018)

Other receivables

Accrued interest	4,412	2,563
Employer grant	3,031,000	3,031,000
Prepaid expenses	16,449	16,449
	<u>6,777,872</u>	<u>6,568,563</u>

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

3. TRADE AND OTHER RECEIVABLES (CONTINUED)

	2022	2021
	R	R
Analysis of movements in respect of risk transfer arrangements		
Balance at the beginning of the year	30,285	42,841
Payment in respect of prior year	(30,285)	(42,841)
Adjustments for current year	28,728	30,285
Balance at end of year	<u>28,728</u>	<u>30,285</u>

The carrying amounts of accounts receivable approximate their fair values due to the short-term maturities of these assets.

4. CASH AND CASH EQUIVALENTS

Call accounts	51,183,104	41,417,099
Current accounts	407,914	583,329
	<u>51,591,018</u>	<u>42,000,428</u>

The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets. The weighted average effective rate of the bank deposits was 3.39% (2021: 1.64%).

5. ACCOUNTS PAYABLE

Insurance liabilities	2,818,731	2,025,527
Amounts owing to members	16,446	50,294
Claims reported not yet paid	2,802,285	1,975,233
Other liabilities		
Sundry accounts and accrued expenses	253,833	242,305
	<u>3,072,564</u>	<u>2,267,832</u>
Claims reported not yet paid		
Balance at the beginning of the year	1,975,233	2,446,093
Payments made	(1,975,233)	(2,446,093)
Movement for the year	2,802,285	1,975,233
Balance at the end of the year	<u>2,802,285</u>	<u>1,975,233</u>

The carrying amounts of accounts payable approximate their fair values due to the short-term maturities of these liabilities.

6. OUTSTANDING CLAIMS PROVISION

Not covered by risk transfer arrangements

Provision for outstanding risk claims – incurred, but not reported	1,860,972	1,426,073
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Analysis of movements in outstanding risk claims

Balance at the beginning of the year	1,426,073	1,396,502
Payments in respect of the prior year	(1,445,170)	(1,154,760)
Over provision in respect of the prior year	(19,097)	241,742
Reversal of prior year provision	19,097	(241,742)
Adjustment for the current year	1,860,972	1,426,073
Balance at the end of the year	<u>1,860,972</u>	<u>1,426,073</u>

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

	2022	2021
	R	R
Covered by risk transfer arrangements		
Provision for outstanding risk claims – incurred, but not reported	28,728	30,285
Analysis of movements in outstanding risk claims		
Balance at the beginning of the year	30,285	42,841
Payments in respect of the prior year	(30,285)	(42,841)
Adjustment for the current year	28,728	30,285
Balance at the end of the year	<u>28,728</u>	<u>30,285</u>
Total outstanding risk claims provision	<u>1,889,700</u>	<u>1,456,358</u>

Process used to determine the assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The source of data used as inputs for the assumptions are internal, using detailed studies that are carried out monthly. There is more emphasis on current trends and, where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

Each notified claim is assessed on a separate, case-by-case basis with due regard to the claim circumstances, information available from managed care, management services and historical evidence of the size of similar claims. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provision estimation difficulties also differ by category of claims due to differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim and reporting lags.

The cost of outstanding claims is estimated using statistical methods. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each benefit year based upon observed developments of earlier years and expected loss ratios. Run-off triangles are used in situations where it takes time after the treatment date until the full extent of the claims to be paid is known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in the known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The actual method used is consistent with prior year categories of claims and observed historical claims developments. To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred (such as changes in claim reserving procedures);
- economic, legal, political and social trends (resulting in different-than-expected levels of inflation and/or minimum medical benefits to be provided);
- changes in composition of members and their dependants; and
- random fluctuations, including the impact of large losses.

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected percentages of claims settled after each of the first four months of the claims run-off period, before the claims turn stale.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Other assumptions

- The actual demographics of the Fund were used, including all membership movements for the year.
- The effect of ageing of the population on the utilisation of health services is incorporated.

The percentages used as assumptions are listed in the table below. The table also outlines the sensitivity of these percentages and the impact on the Fund's liabilities if an incorrect assumption is used.

The assumed percentages of claims outstanding at the end of the year:

	2022	2021
Claims outstanding for:		
- December	10.4%	14.0%
- November	4.4%	3.0%
- October	2.7%	2.0%
- September	1.6%	1.0%
- August and prior	0.3%	0.5%

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

An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the Fund's estimation process.

	Change in liability	
	2022	2021
	R	R
The impact of the sensitivity of these percentages are set out below:		
Effect of a 1% change in assumptions	1,956,304	1,440,334
Effect of a 2% change in assumptions	1,976,472	1,454,594
Effect of a 3% change in assumptions	1,996,656	1,468,855

The Fund believes that the liability for claims presented in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions that could differ when claims arise.

The existing accounting policy relating to the outstanding claims provision considers current estimates of all future contractual cash flows; therefore, in terms of paragraph 15 to 19 of IFRS 4, no further liability adequacy test is required.

7. RELEVANT HEALTHCARE EXPENDITURE

	2022	2021
	R	R
Claims incurred, excluding claims incurred in respect of risk transfer arrangements		
Current year claims	47,926,601	48,057,212
Movement in outstanding risk claims provision	1,880,069	1,184,331
Over-provision in respect of the prior year (note 6)	19,097	(241,742)
Adjustment for the current year (note 6)	1,860,972	1,426,073
	49,806,670	49,241,543

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

7. RELEVANT HEALTHCARE EXPENDITURE (CONTINUED)

	2022	2021
	R	R
Claims incurred in respect of risk transfer arrangements		
Current year claims	344,640	484,367
Outstanding risk claims provision (note 6)	28,728	30,285
	<u>373,368</u>	<u>514,652</u>
Total risk claims incurred	<u><u>50,180,038</u></u>	<u><u>49,756,195</u></u>
Net expense/(income) on risk transfer arrangement		
Netcare 911 (Pty) Ltd		
Premiums paid	541,588	496,268
Recoveries received	(373,368)	(514,652)
	<u>168,220</u>	<u>(18,384)</u>

The Fund had one risk transfer arrangement in place for the year under review:

The Netcare 911 agreement covers emergency transport for beneficiaries on all options. The contract is a one-year contract that is renewed annually.

The cost of providing the above services outside the agreement is estimated based on private rates.

8. MANAGED CARE: MANAGEMENT SERVICES

Active disease risk management	668,566	607,167
Hospital disease risk management	989,992	990,369
Pharmacy benefit management	576,424	523,361
Managed care networks	296,323	178,018
	<u>2,531,305</u>	<u>2,298,915</u>

9. ADMINISTRATION AND OTHER EXPENSES

Actuarial fees	192,959	183,770
Administration fees	5,653,730	5,134,629
Audit fees	253,834	362,848
Association fees	6,300	5,710
Bank charges	52,879	40,158
Council for Medical Schemes	112,021	106,563
Fidelity cover	13,344	13,132
Printing, postage, and communication services	14,952	39,142
	<u>6,300,019</u>	<u>5,885,952</u>

10. NET IMPAIRMENT LOSS ON HEALTHCARE RECEIVABLES

Accounts receivable		
Risk contributions that are not collectable	39,245	(25,120)
Movement in provision	<u>39,245</u>	<u>(25,120)</u>

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

10. NET IMPAIRMENT LOSS ON HEALTHCARE RECEIVABLES (CONTINUED)

	2022	2021
	R	R
Members' and service providers' portions that are not recoverable	(424,870)	(1,225)
Movement in provision	(422,615)	(898)
Written off	(2,255)	(327)
	<u>(385,625)</u>	<u>(26,345)</u>

11. GRANT

Employer grant income	<u>36,372,000</u>	<u>36,372,000</u>
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12. INVESTMENT INCOME

Interest on financial assets at fair value through profit and loss	7,880,967	5,336,354
Interest on cash and cash equivalents	2,600,086	1,708,447
	<u>10,481,053</u>	<u>7,044,801</u>

13. RELATED-PARTY TRANSACTIONS

Each medical scheme needs to assess individually who its related parties are, taking into account its individual circumstances. A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity' in IAS 24).

Parties with significant influence over the Fund

Golden Arrow Bus Services (Pty) Ltd has significant influence over the Fund, as it participates in the Fund's financial and operating policy decisions, but does not control the Fund.

Momentum Health Solutions (Pty) Ltd (MHS) has significant influence over the Fund, as it provides financial and operational information on which policy decisions are based, but does not control the Fund. MHS provides administration services.

Managed care organisation, MHS, has significant influence over the Fund as managed care provider, but does not control the Fund.

NMG Actuaries and Consultants has significant influence over the Fund, as it consults and advises on various strategic issues that guide the Fund's operations, but does not control the Fund.

Key management personnel and their close family members

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

Close family members include family members of the Board of Trustees, Principal Officer and members of the sub-committees.

Transactions with related parties

Key management personnel

Statement of comprehensive income

Risk contributions received	147,754	131,468
Claims incurred	(130,149)	(91,391)

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)**

13. RELATED-PARTY TRANSACTIONS (CONTINUED)

Key management personnel and their close family members (continued)

The Principal Officer, Trustees and committee members did not receive any fees from the Fund for the years ended 31 December 2022 and 2021.

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

Risk contributions received

This constitutes the risk contributions paid by the related party as a member of the Fund, in its individual capacity. All contributions received were at the same terms as applicable to all members.

Claims incurred

This constitutes amounts claimed by the related parties in their individual capacities as members of the Fund. All claims were paid out in terms of the rules of the Fund, as applicable to all members.

Transactions with entities that have significant influence over the Fund

	2022	2021
	R	R
<i>Statement of comprehensive income</i>		
Actuarial fees (NMG)	(192,959)	(183,770)
Administration fees (MHS)	(5,653,730)	(5,134,629)
Employer grant (Golden Arrow Bus Services [Pty] Ltd)	36,372,000	36,372,000
Managed care (MHS)	(2,531,305)	(2,298,915)
Printing and postage (MHS)	(14,952)	(39,142)
<i>Statement of financial position</i>		
Employer grant receivable (Golden Arrow Bus Services [Pty] Ltd)	3,031,000	3,031,000
Postage and printing (MHS)	-	(6,455)

Reimbursement of printing and postage costs

This constitutes amounts incurred by the Fund that were paid by the Administrator that is refundable to the Administrator by the Fund.

Terms and conditions of the administration agreement

The administration agreement is in terms of the rules of the Fund and in accordance with instructions given by the Board of Trustees. The duration of the agreement is indefinite, but subject to the right of either party to terminate the agreement by giving not less than three months' notice.

Terms and conditions of the managed care agreement

The managed care agreement is in terms of the rules of the Fund and in accordance with instructions given by the Board of Trustees. The duration of the agreement is indefinite, but subject to the right of either party to terminate the agreement by giving not less than three months' notice.

Terms and conditions of employer grants received

Grants received from the employer are not subject to any conditions.

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)**

14. GUARANTEES AND COMMITMENTS

The Fund does not have any guarantees. Golden Arrow Bus Services (Pty) Ltd has no obligation to make any fixed contributions to the Fund or to guarantee the benefits provided by the Fund, but the company has committed to make monthly contributions for the year ending 31 December 2022 totalling R36,372,000 (2021: R36,372,000) in order to support the Fund for the foreseeable future.

15. CONTINGENT ASSET

As at 31 December 2022, the Fund had pending motor vehicle recoveries submitted to the Road Accident Fund (the 'RAF') for assessment. This will only be accounted for when an amount is virtually certain to be received from the RAF. The value at year end amounted to R829,032 (2021: R464,602).

16. INSURANCE RISK MANAGEMENT

Nature and extent of risks arising from insurance contracts

The Fund issues contracts that transfer insurance risk. This section summarises these risks and the way the Fund manages them.

Description of benefit options

Primary option

This option provides in-hospital treatment only at State facilities. A network of doctors and dentists are available to the beneficiaries on this option. All benefits are subject to an annual limit, which is reviewed by the Board of Trustees on an annual basis.

Standard option

This option provides in-hospital treatment at State facilities, as well as at contracted private hospitals. A network of doctors and dentists are available to the beneficiaries on this option. All benefits are subject to an annual limit, which is reviewed by the Board of Trustees on an annual basis.

Advanced option

This option provides in-hospital treatment at State facilities, as well as at contracted private hospitals. A network of doctors and dentists are available to the beneficiaries on this option. All benefits are subject to an annual limit, which is reviewed by the Board of Trustees on an annual basis. The overall annual limit on this option is substantially more than on the other options.

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Fund assumes the risk of loss from members and their dependants that are directly subject to the risk. These risks relate to the health of the Fund's members. As such, the Fund is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Board of Trustees has developed and approved a documented policy for the acceptance and management of insurance risk to which the Fund is exposed. Reference has also been made to the requirements of the Medical Schemes Act in compiling the insurance risk management policy. This policy is reviewed annually and the benefit options provided to members are structured to fall within the acceptable insurance risk levels specified. The Board of Trustees also determines the policy for entering into alternative risk transfer arrangements and/or commercial reinsurance contracts, where appropriate. The annual business plan is structured around the insurance risk management policy. The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation, case management and service provider profiling.

The Fund uses several methods to assess and monitor insurance risk exposures, both for individual types of risks insured and overall risks. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

16. INSURANCE RISK MANAGEMENT (CONTINUED)

Risk management objectives and policies for mitigating insurance risk (continued)

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.

Source of uncertainty in the estimation of future claims payments

The Fund frequently re-rates these products and assesses the extent of the underwriting loss and affordability for the members.

The Fund's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The strategy is set out in the annual business plan, which specifies the benefits to be provided on each option.

All the contracts are annual in nature and the Fund has the right to change the terms and conditions of the contract at renewal. Management information, including contribution income and claims ratios by option, target market and demographic split, is reviewed monthly.

Risk transfer arrangements

The Fund transfers a portion of the risk it underwrites via capitation agreements in order to control its exposures to losses and protect capital resources. The capitation agreements are in substance the same as non-proportional reinsurance treaties.

Concentration of insurance risk

The following table summarises the concentration of insurance risk, with reference to the number of the beneficiaries per option, by age group.

2022

Age grouping (in years)	Primary	Standard	Advanced	Total
0 – 24	-	1,374	139	1,513
25 – 34	-	555	12	567
35 – 49	-	1,425	105	1,530
50 – 64	-	822	184	1,006
65+	26	120	92	238
Total	26	4,296	532	4,854

2021

Age grouping (in years)	Primary	Standard	Advanced	Total
0 – 24	-	1,411	153	1,564
25 – 34	-	560	13	573
35 – 49	-	1,362	115	1,477
50 – 64	-	759	187	946
65+	29	133	94	256
Total	29	4,225	562	4,816

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

16. INSURANCE RISK MANAGEMENT (CONTINUED)

The following table summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred (excluding risk transfer arrangements), by age group and in relation to the type of risk covered/benefits provided.

2022 (rands)

Age grouping (in years)	General practitioners	Specialists	Dentists	Medicine	Optical	Hospitals	Supplementary health services	Total
0 – 25	1,733,320	1,175,103	546,604	568,699	418,756	1,898,719	265,647	6,606,848
26 – 35	1,238,420	1,016,393	459,332	606,670	226,609	1,168,163	176,678	4,892,265
36 – 50	2,895,294	3,034,899	1,078,205	1,982,849	715,563	4,584,975	506,599	14,798,384
51 – 64	1,761,923	3,609,429	723,375	2,125,437	527,048	4,490,538	472,152	13,709,902
65+	455,834	2,148,833	165,956	1,225,819	123,123	3,365,272	434,365	7,919,202
Total	8,084,791	10,984,657	2,973,472	6,509,474	2,011,099	15,507,667	1,855,441	47,926,601

2021 (rands)

Age grouping (in years)	General practitioners	Specialists	Dentists	Medicine	Optical	Hospitals	Supplementary health services	Total
0 – 25	1,484,511	1,085,409	544,652	502,854	592,810	1,801,577	157,087	6,168,900
26 – 35	1,061,826	1,254,134	403,807	564,201	426,171	1,481,257	105,037	5,296,433
36 – 50	2,603,242	2,872,615	786,972	1,986,224	1,104,264	4,453,057	490,192	14,296,566
51 – 64	1,745,221	3,306,650	618,396	2,201,741	1,042,592	4,850,255	612,553	14,377,408
65+	459,284	1,954,838	120,086	1,349,967	213,773	3,437,134	382,823	7,917,905
Total	7,354,084	10,473,646	2,473,913	6,604,987	3,379,610	16,023,280	1,747,692	48,057,212

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

17. CRITICAL ACCOUNTING JUDGEMENTS

In the process of applying the Fund's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the annual financial statements:

Outstanding claims provision

The assumption was made that the claims incurred, but not reported (outstanding claims provision) as at year end, will follow the same trend as the previous years. The prior year's experience was built into the programme to calculate this provision.

Although the assumption is considered critical, the post-reporting date settlements against the provision have been monitored to ensure reasonability of the original provision.

Provision for impairment of trade receivables

Provision is made for impairment of debt according to historical trends in the recoverability based on ageing. The following amounts are provided for:

- arrear contributions older than 120 days;
- any amounts due from pensioners, resigned members and deceased members; and
- supplier debt older than 120 days.

These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rate, volatility, estimated cash flows, etc.) and therefore cannot be determined with precision.

18. FIDELITY COVER

In accordance with the rules, the Fund has insurance with Camargue (policy no MEDC464689097) to cover these risks. On 31 December 2022, the total cover was R8,000,000 (2021: R8,000,000).

19. FINANCIAL RISK MANAGEMENT

The Fund is exposed to a range of financial risks through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that the Fund's investment performance is not sufficient to maintain the current reserve ratio, or that the Fund should increase member contributions due to insufficient investment performance. The most important component of this financial risk is interest rate risk.

This risk arises from open positions in interest rate risk products, which are exposed to general and specific market movements. The risk that the Fund primarily faces due to the nature of its investments and liabilities is interest rate risk.

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

The Fund appointed a professional asset management company with a solid track record to manage the Fund's investment portfolio. The asset manager aims to protect capital over rolling twelve-month periods, while maximising the upside should market conditions be positive.

The following summary represents the major asset classifications held by the Fund, which are exposed to the financial risks, as discussed:

Asset allocation summary	2022	2021
	R	R
Financial assets at fair value through profit and loss (note 2)	121,677,006	103,464,920
Cash and cash equivalents (note 4)	51,591,018	42,000,428
Accounts receivable (note 3)	6,777,872	6,568,563
	<u>180,045,896</u>	<u>152,033,911</u>

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.1 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The availability of funding through holding liquid cash positions with various financial institutions ensures that the Fund has the ability to fund its day-to-day operations. In the event that a liquidity gap arises, the Fund has access to liquidity in the financial assets at fair value through profit and loss. Funds are available within 48 hours.

At year end 50.94% (2021: 33.83%) of the Fund's assets were invested in cash products to ensure that the Fund can meet its short-term commitments.

The table below illustrates the liquidity position of the Fund:

	Up to 1 month	2 to 3 months	4 to 12 months	Over 1 year	Total
2022	R	R	R	R	R
Outstanding claims provision*	(1,235,107)	(134,507)	(491,358)	-	(1,860,972)
Insurance payables	(2,818,731)	-	-	-	(2,818,731)
Other payables	(114,224)	(114,224)	(25,385)	-	(253,833)
Total	(4,168,062)	(248,731)	(516,743)	-	(4,933,536)
Cash and cash equivalents	51,591,018	-	-	-	51,591,018
Liquidity surplus					46,657,482

* Outstanding claims provision not covered by risk transfer arrangements.

	Up to 1 month	2 to 3 months	4 to 12 months	Over 1 year	Total
2021	R	R	R	R	R
Outstanding claims provision*	(585,215)	(518,384)	(322,474)	-	(1,426,073)
Insurance payables	(2,025,527)	-	-	-	(2,025,527)
Other payables	(6,455)	(199,566)	(36,284)	-	(242,305)
Total	(2,617,197)	(717,950)	(358,758)	-	(3,693,905)
Cash and cash equivalents	42,000,428	-	-	-	42,000,428
Liquidity surplus					38,306,523

* Outstanding claims provision not covered by risk transfer arrangements.

19.2 Credit risk

The Fund's principal financial assets are cash and cash equivalents, financial assets at fair value through profit and loss and accounts receivables. The Fund's credit risk is primarily attributable to its accounts receivable and cash and cash equivalents.

Accounts receivable

The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Fund has a policy of limiting the amount of credit exposure to any one financial institution. An identified loss event comprises a receivable being outstanding for more than 120 days.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.2 Credit risk (continued)

Cash and cash equivalents

The credit risk on liquid funds is limited because the counterparties are financial institutions with high credit ratings. The table below illustrates the majority of the exposure.

Financial institution	2022 R	2021 R	Credit rating (Moody's National Long-Term Rating)	
			2022	2021
ABSA	9,051,214	10,031,948	Ba2	Ba2
HSBC	11,066,644	5,011,658	Aa3	Aa3
Investec	12,067,605	9,027,900	Ba2	Ba2
Nedbank	10,952,458	12,331,155	Ba2	Ba2
Standard Bank	8,453,097	5,597,767	Ba2	Ba2
	<u>51,591,018</u>	<u>42,000,428</u>		

The table below illustrates the quality of the Fund's receivables in order to assess the credit risk.

	Fully performing	Past due not impaired	Impaired	Total
	R	R	R	R
2022				
Insurance receivables				
- Risk contributions outstanding	3,606,480	68,048	31,687	3,706,215
- Member and provider debt	22,165	590	424,961	447,716
- Risk transfer arrangements	28,728	-	-	28,728
Other receivables	3,051,861	-	-	3,051,861

	Fully performing	Past due not impaired	Impaired	Total
	R	R	R	R
2021				
Insurance receivables				
- Risk contributions outstanding	3,408,967	77,024	70,932	3,556,923
- Member and provider debt	775	3,070	2,346	6,191
- Risk transfer arrangements	30,285	-	-	30,285
Other receivables	3,050,012	-	-	3,050,012

The table below provides an age analysis of the credit that is past due, but not impaired.

	0 to 30 days	30 to 60 days	60 to 90 days	Total
	R	R	R	R
2022				
Risk contributions outstanding	34,238	19,401	14,409	68,048
Member and provider debt	265	325	-	590

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.2 Credit risk (continued)

Cash and cash equivalents (continued)

	0 to 30 days	30 to 60 days	60 to 90 days	Total
	R	R	R	R
2021				
Risk contributions outstanding	37,459	24,046	15,519	77,024
Member and provider debt	1,500	1,570	-	3,070

19.3 Market risk

The Fund is exposed to market risk, which is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices. Market price risk comprises three types of risks: interest rate risk, currency risk and equity price risk.

Any changes in the value of the investment due to changes in the market risk variables will be recognised in the statement of comprehensive income as unrealised gains or losses on financial assets. The gain or loss will be subsequently recognised in the net surplus or deficit in the statement of comprehensive income on disposal of the financial asset.

Currency risk

The Fund operates in South Africa and therefore its cash flows are denominated in South African rand (ZAR). The Fund has no currency risk.

Interest rate risk

The Fund 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 placements within market expectations.

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

	Up to 1 month	2 to 5 months	6 to 12 months	Over 1 year	Total
	R	R	R	R	R
2022					
Financial assets at fair value through profit and loss	1,965,047	-	31,586,553	66,359,141	99,910,741
Cash and cash equivalents	51,591,018	-	-	-	51,591,018
Total interest-bearing assets	53,556,065	-	31,586,553	66,359,141	151,501,759

	Up to 1 month	2 to 5 months	6 to 12 months	Over 1 year	Total
	R	R	R	R	R
2021					
Financial assets at fair value through profit and loss	3,386,980	9,386,532	1,001,957	38,293,032	52,068,501
Cash and cash equivalents	42,000,428	-	-	-	42,000,428
Total interest-bearing assets	45,387,408	9,386,532	1,001,957	38,293,032	94,068,929

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.3 Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis – interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

An increase/decrease in 100 basis points in interest rates would result in an increase/(decrease) in members' funds of R1,515,018 (2021: R940,689).

This sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. Management monitors the reported interest rate movements on a monthly basis.

Equity price risk

The Fund is exposed to equity price risk, as it invested funds in South African equities through its financial assets at fair value investment portfolio. The Fund's equity portfolio is a long-term investment and the funds invested in this portfolio are not needed in the short or medium term. This mitigates the risk for short-term fluctuations in the equity market. The Fund appointed a reputable investment manager with a good track record in terms of performance.

Sensitivity analysis – equity price risk

	Fair value	5% decrease in equity market	10% decrease in equity market	20% decrease in equity market
2022	R	R	R	R
Financial assets at fair value through profit and loss	1,119,754	1,063,766	1,007,779	895,803

2021

Financial assets at fair value through profit and loss	15,157,547	14,399,670	13,641,792	12,126,038
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Fair value sensitivity analysis

The fair value of publicly traded financial instruments held at fair value through profit and loss is based on quoted market prices.

Fair value estimation

In assessing the fair value of non-traded derivatives and other financial instruments, the Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine the fair value for the remaining financial instruments.

The face values, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Fund for similar financial instruments.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.3 Market risk (continued)

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

	2022	2021
	R	R
Financial assets		
Financial assets at fair value through profit and loss	121,677,006	103,464,920
Cash and cash equivalents	51,591,018	42,000,428
Accounts receivable	6,777,872	6,568,563
- Insurance receivables	3,726,011	3,518,551
- Other receivables	3,051,861	3,050,012
Financial liabilities		
Outstanding claims provision	1,889,700	1,456,358
Accounts payable	3,072,564	2,267,832

Fair value of financial assets by hierarchy level:

The fair value of financial assets through profit and loss is based on quoted market prices at the reporting date. The table below illustrates the fair values of financial assets by hierarchy level:

	Level 1	Level 2	Level 3	Total
2022	R	R	R	R
Bonds	-	63,239,217	-	63,239,217
Equities	1,119,754	-	-	1,119,754
Money-market instruments and cash	36,671,524	20,646,511	-	57,318,035
Total	37,791,278	83,885,728	-	121,677,006

	Level 1	Level 2	Level 3	Total
2021	R	R	R	R
Bonds	-	44,866,926	-	44,866,926
Equities	15,157,547	-	-	15,157,547
Money-market instruments and cash	7,210,333	36,230,114	-	43,440,447
Total	22,367,880	81,097,040	-	103,464,920

There were no reclassifications during the year between hierarchy levels.

The significance of the financial instrument determines the classification of the instrument in the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)**

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.3 Market risk (continued)

Fair value of financial assets by hierarchy level (continued):

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Trade and other receivables and payables were not carried at fair value in the statement of financial position, but their carrying value approximates fair value due to their short-term nature.

Investment structures

The Fund's investment in a segregated portfolio is subject to the terms and conditions of the respective fund's offering documentation and is susceptible to market price risk arising from uncertainties about future values of this fund. The investment manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. The fund in the investment portfolio is managed by portfolio managers who are compensated by the respective fund for their services. Such compensation generally consists of an asset-based fee and is reflected in the valuation of the Fund's investment in the fund.

The exposure the Fund has to this fund is listed in the table below in terms of Regulation 30 to the Act. The Fund's maximum exposure to loss from its interests in the fund is limited to the total fair value of its investment in the fund.

Fund	As at 31 December 2022		As at 31 December 2021	
	Fair value	% exposure in terms of Regulation 30	Fair value	% exposure in terms of Regulation 30
Prescient Investment Management	121,677,006	70.22%	103,464,920	71.13%

Investment in unconsolidated structures

The asset managers invest the Fund's monies in reputable funds, which promise returns to the Fund. The Fund views these funds as unconsolidated structured entities. The Fund monitors the performance of the funds closely to ensure the Fund earns high returns without unnecessary exposure to risk.

The Fund has investments in certain collective investment schemes (the funds), as listed in the table below. The Fund's maximum exposure to loss from its interests in the funds is limited to the total fair value of its investments in the funds.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.3 Market risk (continued)

Investment in unconsolidated structures (continued)

Fund name	2022	2021
	Fair value	Fair value
	R	R
Prescient Money Market Fund B3	14,959,803	31,366,054
Prescient Clean Energy and Infrastructure Debt Fund Trust	5,686,708	4,864,060
	20,646,511	36,230,114

19.4 Derivatives

Derivative instruments are used by the investment manager for the purpose of reducing investment risk, enabling diversification of asset allocations and interest rate exposures without having to divest from the instruments in the portfolio.

Derivatives used can generally be classified as futures and options.

Futures

Futures are contracts giving the holder or issuer the obligation to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Futures are standardised exchange-traded contracts. Futures trading may also be illiquid. Certain futures exchanges do not permit trading and in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, the Fund could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Fund enters into exchange-traded option contracts to meet the requirements of their risk management and trading activities.

The risk in buying an option is that the Fund pays a premium whether or not the option is exercised. The Fund also has the additional risk of not being able to enter into a closing transaction if a liquid secondary market does not exist. Call options that are 'in-the-money' have credit risk in that the counterparty might not be able to settle the trade if closed out.

20. CAPITAL ADEQUACY RISK

The risk that there may be insufficient reserves to provide for adverse variations on actual and future experience.

The Fund's objective is to manage its capital in such a way that the annual contribution increase to members is as low as possible or at least in line with the participating employer's salary increases. The Fund therefore decided to use some of its investment income to fund any possible deficit that might occur as a result of operational losses.

The solvency ratio was 397.74% at 31 December 2021 (2021: 354.38%). The ratio compares favourably to a prescribed accumulated funds ratio of 25%. This measure of capital is consistent with the prior year and there have been no changes in the Fund's objectives, policies and procedures for managing capital from that of the prior year.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

20. CAPITAL ADEQUACY RISK (CONTINUED)

The Fund's current favourable solvency position has been achieved as a consequence of a monthly grant received from the employer, Golden Arrow Bus Services (Pty) Ltd. It is noted that the long-term financial viability of the Fund is dependent upon the continuation of the employer grant.

21. GOING CONCERN

The going concern basis has been adopted in preparing the annual financial statements. The Trustees have no reason to believe that the Fund will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the Fund. The continued long-term financial viability of the Fund is dependent upon the employer continuing to make grants to the Fund. The Trustees do not currently have any basis to assume that the grant, although at the employer's discretion, will not continue into the future. With the outbreak of the coronavirus, the Trustees continue to be of the opinion that the Fund will be able to continue as a going concern; refer to note 22 of the notes to the annual financial statements for additional disclosure on events after reporting date.

22. EVENTS AFTER REPORTING DATE

At the date of finalisation of the annual financial statements, there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the annual financial statements.

23. NON-COMPLIANCE MATTERS

The following areas of non-compliance with the Act were identified during the year:

23.1 Contravention of Section 26(7) of the Medical Schemes Act

Nature and impact

In terms of Section 26(7) of the Medical Schemes Act, it is a requirement that contributions be received within three days of becoming due. This is an industry-wide problem and is not confined to Golden Arrow Employees' Medical Benefit Fund.

Causes for the failure

The non-compliance relates to instances during the year when contributions were received more than three days after the due date.

Corrective action

There was continuous communication to employer groups to emphasise the importance of prompt payment.

23.2 Contravention of Section 36(10) of the Medical Scheme Act

Nature and impact

In terms of Section 36 (10) of the Act, the audit committee must have a minimum of at least five members of whom three shall be independent members. Resignations during the year resulted in it being non-compliant with the minimum requirements for the composition of an audit committee.

Causes for the failure

Trustee resignations during the year resulted in it being non-compliant with the minimum requirements for the composition of an audit committee.

Corrective action

Appointments were made during 2023 to meet the minimum requirements for the composition of an audit committee.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

23. NON-COMPLIANCE MATTERS (CONTINUED)

23.3 Contravention of Section 33(2) of the Medical Schemes Act

Nature and impact

Section 33(2) of the Act indicates that the Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit options shall be self-supporting in terms of membership and financial performance and are financially sound. The Registrar may withdraw benefit options directly affecting the members on these options.

At 31 December 2022, the following options reported a deficit for the year:

	Net healthcare result	Employer grant	Surplus for the year
	R	R	R
Primary	(120,616)	208,889	142,770
Standard	(9,680,003)	30,025,443	25,521,607
Advanced	(5,609,011)	6,137,668	1,109,534

Causes for the failure

The Fund was specifically costed to incur net healthcare deficits on the options, as the increase necessary to achieve a net healthcare surplus would have been too onerous for members on the options.

Corrective action

As the solvency ratio at reporting date was 397.74%, the Board of Trustees was comfortable that the Fund would remain compliant with the minimum solvency ratios prescribed by the Medical Schemes Act.

23.4 Contravention of Section 35(8)(c) of the Medical Schemes Act

Nature and impact

The Fund holds investments in Discovery Holdings Ltd. This is in contravention of Section 35(8)(c) of the Act, as the Fund is not allowed to hold investments in the holding company of the Administrator or any other administrator.

Causes for the failure

The Fund invested in a pooled fund and does not have control of the investment decisions relating to the underlying assets.

Corrective action

The Fund received an exemption in December 2020 from the Council for Medical Schemes in terms of Section 35(8). The exemption is valid for a period of three years.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

24. BREAKDOWN PER BENEFIT OPTION

2022	Primary	Standard	Advanced	Total
	R	R	R	R
Risk contribution income	139,079	36,769,971	7,110,388	44,019,438
Relevant healthcare expenditure	(194,917)	(40,506,563)	(12,041,944)	(52,743,424)
Net claims incurred	(193,283)	(40,357,018)	(12,024,903)	(52,575,204)
Net expense on risk transfer arrangement	(1,634)	(149,545)	(17,041)	(168,220)
Premiums paid	(5,260)	(481,464)	(54,864)	(541,588)
Recoveries	3,626	331,919	37,823	373,368
Gross healthcare result	(55,838)	(3,736,592)	(4,931,556)	(8,723,986)
Administration and other expenses	(61,213)	(5,600,414)	(638,392)	(6,300,019)
Net impairment loss	(3,565)	(342,997)	(39,063)	(385,625)
Net healthcare result	(120,616)	(9,680,003)	(5,609,011)	(15,409,630)
Other income				
Grant received	208,889	30,025,443	6,137,668	36,372,000
Investment income	101,228	9,320,349	1,059,476	10,481,053
Realised loss on financial assets at fair value through profit and loss	(17,196)	(1,567,264)	(178,238)	(1,762,698)
Unrealised loss on financial assets at fair value through profit and loss	(23,283)	(2,003,836)	(235,112)	(2,262,231)
Other expenditure				
Investment management fees	(6,252)	(573,082)	(65,249)	(644,583)
Net surplus for the year	142,770	25,521,607	1,109,534	26,773,911
Number of members at the end of the accounting period	24	2,349	257	2,630

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

24. BREAKDOWN PER BENEFIT OPTION (CONTINUED)

2021	Primary	Standard	Advanced	Total
	R	R	R	R
Risk contribution income	181,124	33,846,573	7,278,783	41,306,480
Relevant healthcare expenditure	(212,586)	(39,857,662)	(11,966,478)	(52,036,726)
Net claims incurred	(212,812)	(39,873,730)	(11,968,568)	(52,055,110)
Net income on risk transfer arrangement	226	16,068	2,090	18,384
Premiums paid	(6,111)	(433,739)	(56,418)	(496,268)
Recoveries	6,337	449,807	58,508	514,652
Gross healthcare result	(31,462)	(6,011,089)	(4,687,695)	(10,730,246)
Administration and other expenses	(72,355)	(5,145,378)	(668,219)	(5,885,952)
Net impairment loss	(302)	(23,235)	(2,808)	(26,345)
Net healthcare result	(104,119)	(11,179,702)	(5,358,722)	(16,642,543)
Other income				
Grant received	280,020	29,336,484	6,755,496	36,372,000
Investment income	85,493	6,163,082	796,226	7,044,801
Realised gain on financial assets at fair value through profit and loss	24,163	1,968,207	231,173	2,223,543
Unrealised gain on financial assets at fair value through profit and loss	36,700	2,731,712	344,775	3,113,187
Other expenditure				
Investment management fees	(5,841)	(419,125)	(54,152)	(479,118)
Net surplus for the year	316,416	28,600,658	2,714,796	31,631,870
Number of members at the end of the accounting period	27	2,230	263	2,520

Basis of allocation

Except for contribution income, claims and the employer grant, all other income and expenses are allocated according to membership.



GOLDEN ARROW

EMPLOYEES' MEDICAL BENEFIT FUND