

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF



GOLDEN ARROW
EMPLOYEES' MEDICAL BENEFIT FUND

**WILL BE HELD ON WEDNESDAY, 29 JUNE 2022 AT 19:00 AT THE ARROWGATE DEPOT,
80 PALOTTI ROAD, MONTANA.**

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, 6 October 2021
3. To receive and adopt the Chairperson's report and the audited annual financial statements for the year ended 31 December 2021
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: 22 June 2022
 - 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: 22 June 2022
7. Benevolent Fund
8. Closure of meeting

By order of the Board

MARIEHETTE LOUWSMA (MS)
PRINCIPAL OFFICER

CAPE TOWN
MAY 2022

Note: The full set of annual financial statements is available at the Montana depot.

Buses will depart to the above venue from the Philippi, Tollgate and Southgate depots at 18:30.

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
MINUTES OF THE ANNUAL GENERAL MEETING HELD ON WEDNESDAY, 6 OCTOBER 2021 AT 19:00 AT
THE ARROWGATE DEPOT, 80 PALOTTI ROAD, MONTANA**

PRESENT:

Nine members represented in person, the Chairperson of the Board, Trustees and representatives of Momentum Health Solutions (MHS)

APOLOGIES:

Ms M Louwsma (Principal Officer); and
Mr J Windt (PricewaterhouseCoopers [PwC]).

1. WELCOME AND APOLOGIES

The Chairperson opened the meeting and welcomed those present.

The 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 Chairperson reconvened the meeting. The Chairperson read the notice convening the Annual General Meeting, which was circulated timeously to all members, and it was taken as **READ**.

A member queried the composition of the Board. The Chairperson responded that the Board comprised three employer-appointed Trustees and three member-elected Trustees. There were two vacancies for member-elected Trustees, as Mr Abbas's term of office had expired and Ms Muller had resigned from the Board.

It was noted that the Chairperson of the Board is not allowed to participate in the Trustee election, but has voting powers at meetings of the Fund and, in the event of an equality vote, has the casting vote.

2. MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 29 JULY 2020

On proposal from Mr Maggot and seconded by Mr Patterson, the minutes of the Annual General Meeting, which was held on 29 July 2020, was **ADOPTED** and **SIGNED** by the Chairperson.

3. CHAIRPERSON'S REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The annual report of the Board of Trustees for the year ended 31 December 2020, 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 2020.
- 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 2020 totalling R36,372,000 in order to support the Fund.
- Membership of the Fund decreased from 2,786 at the end of December 2019 to 2,379 at the end of December 2020. The average age of beneficiaries remained at 35 years and the pensioner ratio increased from 5% to 6%.
- 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 2020 were increased by 5% on all options.
- The Fund received a further exemption for prescribed minimum benefits from the Council for Medical Schemes until 31 December 2020.

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
MINUTES OF THE ANNUAL GENERAL MEETING HELD ON WEDNESDAY, 6 OCTOBER 2021 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 2020 (CONTINUED)**

- As communicated at the end of 2019, the Fund announced its annual contribution increase of 9% for 2020, 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.
- 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 COVID-19 pandemic in 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 2020 was **RECEIVED** and **ADOPTED**.

The 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 2020 were **RECEIVED** and **ADOPTED**.

4. APPOINTMENT OF THE AUDITORS FOR THE ENSUING YEAR

The 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 2022.

5. ELECTION OF MEMBER-ELECTED TRUSTEE

The Chairperson indicated that the Board of Trustees consisted of three employer-appointed Trustees, as well as three member-elected Trustees.

The Chairperson further indicated that two vacancies for member-elected Trustees arose during the year due to Ms Muller's resignation from the Board and the expiry of Mr Abbas's term of office. He requested the members to consider and vote carefully and indicated that only four of the nominees were present.

Valid nominations were received in respect of the following members:

- Mr Allan Schilder
- Mr Mohammed Allie
- Mr Adiel Adams
- Mr Fernando van Wyk
- Mr Charles Manuel
- Ms Letitia Davids
- Ms Gail Abrahams
- Mr Graig Lennert.

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

A member insisted on voting twice, as there were two vacant positions. The Chairperson responded that the member with the highest number of votes would replace Mr Abbas and the member with the second highest number of votes Ms Muller.

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
MINUTES OF THE ANNUAL GENERAL MEETING HELD ON WEDNESDAY, 6 OCTOBER 2021 AT 19:00 AT
THE ARROWGATE DEPOT, 80 PALOTTI ROAD, MONTANA (CONTINUED)**

5. ELECTION OF MEMBER-ELECTED TRUSTEE (CONTINUED)

After brief deliberation the Chairperson indicated that the first round of votes would be disregarded to allow members to carefully reconsider their vote and allow them the option to change if they were not clear on the process. It was further noted that a complaint process was in place should a member disagree or wish to lodge a complaint.

The meeting proceeded with a second round of the election process by completing ballot forms.

After the ballots that were cast were audited, it was determined that Ms Gail Abrahams had been elected as member-elected Trustee by a majority vote (6) and Mr Fernando J van Wyk was also elected as member-elected Trustee (3 votes).

The Chairperson congratulated Ms Abrahams and Mr van Wyk as the newly elected member Trustees.

The appointments were unanimously **ADOPTED**.

6. GENERAL

The 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 the Administrator. The Chairperson indicated that no questions were received by members and that one member of the audience had posed the following question:

6.1 What is the current financial position of the Fund?

The Administrator advised that currently there was an operating loss of R11 million before the employer contribution.

7. BENEVOLENT FUND

The Chairperson reported that during the 2020 financial year, the total income received from contributions equalled R221,247.16. The statistics reflected that there was a total of 2,379 members at the end of the 2020 financial year and payments were made in respect of 28 deaths and 20 retirement levies.

8. CLOSURE OF MEETING

There being no further questions from the floor and no further business to discuss, the 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 2021**

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 2021.

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.

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 2,379 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 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 2021 were increased by 4% on all the 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 November 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 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 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 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.



DENZIL WATSON
CHAIRPERSON

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
SUMMARISED ANNUAL REPORT
for the year ended 31 December 2021**

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2021.

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 4 to the summarised 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)
Mr I de Mink
Mr K Patterson

Member Trustees

| | |
|---------------|--------------------------|
| Mr A Abbas | Term ended: October 2021 |
| Mr J Maggott | |
| Ms D Muller | Resigned: June 2021 |
| Mr F Van Wyk | Elected: October 2021 |
| Ms G Abrahams | Elected: October 2021 |

2.2 Principal Officer

Ms Mariehette 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
SUMMARISED ANNUAL REPORT
for the year ended 31 December 2021 (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

PricewaterhouseCoopers Inc.

| Business address | Postal address |
|--|----------------------------------|
| 5 Silo Square V&A Waterfront Cape Town 8002 | PO Box 2799 Cape Town 8000 |

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
SUMMARISED ANNUAL REPORT
for the year ended 31 December 2021 (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;
- investments are placed at minimum risk and maximum return, with no risk of loss of capital;
- 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 2021. 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 assesses 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 summarised financial statements on pages 18 to 37 and the Board of Trustees believes that no further clarification is required.

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
SUMMARISED ANNUAL REPORT
for the year ended 31 December 2021 (continued)**

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

5.2 Operational statistics – current 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 |
| 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 |

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
SUMMARISED ANNUAL REPORT
for the year ended 31 December 2021 (continued)**

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

5.2 Operational statistics – prior year

| | 2020 | | | |
|--|---------|-----------|----------|-----------|
| | Primary | Standard | Advanced | Total |
| Number of members at the end of the year | 37 | 2,043 | 299 | 2,379 |
| Average number of members for the year | 38 | 2,256 | 323 | 2,617 |
| Number of beneficiaries at the end of the year | 41 | 4,137 | 636 | 4,814 |
| Average number of beneficiaries for the year | 42 | 4,528 | 693 | 5,263 |
| Number of dependants at the end of the year | 4 | 2,094 | 337 | 2,435 |
| Average number of dependants for the year | 4 | 2,272 | 370 | 2,646 |
| Dependant ratio at the end of the year | 0.1 | 1.0 | 1.1 | 1.0 |
| Average age of beneficiaries for the year | 82 | 34 | 45 | 35 |
| Pensioner ratio at the end of the year | 98% | 3% | 15% | 6% |
| Average contributions per member per month (R) | 653 | 1,283 | 2,092 | 1,374 |
| Average contributions per beneficiary per month (R) | 591 | 639 | 975 | 683 |
| Average claims incurred per member per month (R) | 587 | 1,370 | 2,713 | 1,524 |
| Average claims incurred per beneficiary per month (R) | 531 | 683 | 1,265 | 758 |
| Average administration costs per member per month (R) | 201 | 198 | 198 | 199 |
| Average administration cost per beneficiary per month (R) | 181 | 99 | 92 | 99 |
| Average managed care services per member per month (R) | 78 | 77 | 77 | 77 |
| Non-health expenses per beneficiary per month (R) | 181 | 99 | 92 | 99 |
| Relevant healthcare expenses per beneficiary per month (R) | 534 | 684 | 1,266 | 828 |
| Amount paid to the Administrator (R) | 78,447 | 4,657,281 | 666,800 | 5,402,528 |
| Average accumulated funds per member at 31 December (R) | N/A | N/A | N/A | 49,045 |
| Relevant healthcare expenditure as a percentage of contributions * | 90% | 107% | 130% | 111% |
| Managed care: Management services as a percentage of contributions | 12% | 6% | 4% | 6% |
| Non-health expenses as a percentage of contributions | 31% | 15% | 9% | 14% |
| Return on investments as a percentage of investments | N/A | N/A | N/A | 1% |
| Reserves per beneficiary (R) | N/A | N/A | N/A | 24,237 |

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

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
SUMMARISED ANNUAL REPORT
for the year ended 31 December 2021 (continued)**

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

| | 2021 | 2020 |
|--|-----------|-----------|
| | R | R |
| 5.3 Operational statistics for the fund | | |
| Average accumulated funds per member | 58,853 | 49,045 |
| Breakdown of total amount paid to Administrator: | | |
| - Administration fees | 5,134,629 | 5,402,528 |
| Return on investments as a percentage of investments | 8.51% | 0.98% |

5.4 Accumulated funds ratio

The accumulated funds ratio is calculated on the following basis:

| | | |
|--|--------------------|--------------------|
| Total members' funds per statement of financial position | 148,309,721 | 116,677,851 |
| Less: Cumulative unrealised net gains on investments | <u>(1,927,806)</u> | <u>-</u> |
| Accumulated funds per Regulation 29 | <u>146,381,915</u> | <u>116,677,851</u> |
| Annual contributions | <u>41,306,480</u> | <u>43,147,309</u> |
| Accumulated funds ratio (accumulated funds/annual contributions) after the employer grant as shown in note 6 below. | <u>354.38%</u> | <u>270.42%</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 3 to the summarised 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 3 to the summarised 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 2021, totalling R36,372,000 (2020: 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.

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
SUMMARISED ANNUAL REPORT
for the year ended 31 December 2021 (continued)**

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.

8.1 COVID-19

No form of COVID-19 relief was granted to its members. The Board of Trustees will continue to consider the potential impact of the COVID-19 outbreak on the Fund as a whole and judgements going forward.

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 5 to the summarised financial statements fully discloses related party transactions.

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:

30 March 2021; and
28 October 2021.

Attendance of these meetings are disclosed in note 11 to the Report of the Board of Trustees. The Audit Committee members, the financial manager (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.

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 |
| Mr D Watson | Trustee |

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
SUMMARISED ANNUAL REPORT
for the year ended 31 December 2021 (continued)**

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 meetings | |
|----------------------------------|----------------|---|--------------------------|---|
| | 4 | | 2 | |
| Number of meetings | A | B | A | B |
| Mr A Abbas | 3 | 2 | | |
| Ms G Abrahams | 1 | 1 | | |
| Mr I de Mink | 4 | 4 | 2 | 1 |
| Mr J Maggott | 4 | 4 | | |
| Ms D Muller | 2 | 1 | | |
| Mr K Patterson | 4 | 4 | | |
| Mr F Van Wyk | 1 | 1 | | |
| Mr D Watson (Chairperson) | 4 | 3 | 2 | 2 |
| Ms C Esmeraldo | | | 2 | 2 |
| Ms U Gribble | | | 2 | 2 |
| Ms D Vlahos | | | 2 | 2 |
| Ms M Louwsma (Principal Officer) | 4 | 4 | 2 | 1 |

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

B – Actual number of meetings attended.

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.

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
SUMMARISED ANNUAL REPORT
for the year ended 31 December 2021 (continued)**

12. NON-COMPLIANCE MATTERS (CONTINUED)

12.2 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 2021, the following options reported a deficit for the year:

| | Net healthcare result | Employer grant | Surplus for the year |
|----------|----------------------------------|-----------------------|---------------------------------|
| | R | R | R |
| Primary | (104,119) | 280,020 | 316,416 |
| Standard | (11,179,702) | 29,336,484 | 28,600,658 |
| Advanced | (5,358,722) | 6,755,496 | 2,714,796 |

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 354.38%, the Board of Trustees was comfortable that the Fund would remain compliant with the minimum solvency ratios prescribed by the Medical Schemes Act.

12.3 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 2021, the total cover was R8,000,000 (2020: R8,000,000).

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
SUMMARISED ANNUAL REPORT
for the year ended 31 December 2021 (continued)

14. OTHER MATTERS

The Fund obtained exemption from compliance with the Prescribed Minimum Benefits requirements. This exemption was obtained until 31 December 2022, subject to reconsideration by the Registrar should the Fund or industry change significantly.

Independent auditor's report on the Summarised Financial Statements

To the Members of the Golden Arrow Employees' Medical Benefit Fund

Opinion

The summarised financial statements, as set out on pages 18 to 37, which comprise the summarised statement of financial position as at 31 December 2021, the summarised statement of comprehensive income, the summarised statement of changes in funds and reserves, the summarised statement of cash flows for the year then ended and related notes, are derived from the audited financial statements of Golden Arrow Employees' Medical Benefit Fund (the Scheme) for the year ended 31 December 2021.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Summarised Financial Statements

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the summarised financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summarised financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 28 April 2022. That report also includes the communication of key audit matters.

Trustees' Responsibility for the Summarised Financial Statements

The trustees are responsible for the preparation of the summary financial statements in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarised financial statements are consistent, in all material respects, with the audited financial statements, based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.,
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T: +27 (0) 21 529 2000, F: +27 (0) 21 814 2000, www.pwc.co.za

Chief Executive Officer: L S Machaba

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682

Report on Other Legal and Regulatory Requirements

As required by the Council for Medical Schemes' Circular 38 of 2018, *Audit Tenure*, we report that PricewaterhouseCoopers Inc. has been the auditor of Golden Arrow Employees' Medical Benefit Fund for ten years.

The engagement partner, Onalenna Halenyane, has been responsible for Golden Arrow Employees' Medical Benefit Fund audit for two years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: O Halenyane

Registered Auditor

Cape Town, South Africa

23 May 2022

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
SUMMARISED STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

| | Notes | 2021 R | 2020 R |
|--|-------|-------------|-------------|
| ASSETS | | | |
| Non-current assets | | | |
| Financial assets at fair value through profit and loss | 2 | 103,464,920 | 68,258,418 |
| | | 103,464,920 | 68,258,418 |
| Current assets | | | |
| Trade and other receivables | | 48,568,991 | 52,553,914 |
| | | 6,568,563 | 6,318,703 |
| Cash and cash equivalents | | 42,000,428 | 46,235,211 |
| Total assets | | 152,033,911 | 120,812,332 |
| FUNDS AND LIABILITIES | | | |
| Members' funds | | | |
| Accumulated funds | | 148,309,721 | 116,677,851 |
| | | 148,309,721 | 116,677,851 |
| Current liabilities | | | |
| Trade and other payables | | 3,724,190 | 4,134,481 |
| | | 2,267,832 | 2,695,138 |
| Outstanding claims provision | 3 | 1,456,358 | 1,439,343 |
| Total funds and liabilities | | 152,033,911 | 120,812,332 |

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | R | R |
| Risk contribution income | 41,306,480 | 43,147,309 |
| Relevant healthcare expenditure | (52,036,726) | (47,977,067) |
| Net claims incurred | (52,055,110) | (47,872,656) |
| Risk claims incurred | (49,756,195) | (45,473,687) |
| Managed care: Management services | (2,298,915) | (2,418,766) |
| Third-party claim recoveries | - | 19,797 |
| Net income/(expense) on risk transfer arrangements | 18,384 | (104,411) |
| Premiums paid on risk transfer arrangements | (496,268) | (519,950) |
| Recoveries from risk transfer arrangements | 514,652 | 415,539 |
| Gross healthcare result | (10,730,246) | (4,829,758) |
| Administration and other expenses | (5,885,952) | (6,234,145) |
| Net impairment (loss)/gain on healthcare receivables | (26,345) | 12,300 |
| Net healthcare result | (16,642,543) | (11,051,603) |
| Other income | 48,753,531 | 37,497,749 |
| Grant | 36,372,000 | 36,372,000 |
| Investment income | 7,044,801 | 6,378,542 |
| Realised gain/(loss) on financial assets at fair value through profit and loss | 2,223,543 | (4,350,204) |
| Unrealised gain/(loss) on financial assets at fair value through profit and loss | 3,113,187 | (902,589) |
| Other expenditure | | |
| Investment management fees | (479,118) | (395,511) |
| Net surplus for the year | <u>31,631,870</u> | <u>26,050,635</u> |

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2021**

| | Total members' and accumulated funds |
|--|---|
| | R |
| Opening balance at 1 January 2020 | 90,627,216 |
| Net surplus for the year | 26,050,635 |
| Closing balance for the year ended 31 December 2020 | 116,677,851 |
| | |
| 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 | 148,309,721 |

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
SUMMARISED STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

| | 2021 | Restated |
|--|---------------------|---------------------|
| | R | 2020 |
| | | R |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Cash receipts from members and providers | 41,062,019 | 43,584,221 |
| Cash receipts from members – contributions | 41,018,947 | 43,564,424 |
| Cash receipts from members and providers – others | 43,072 | 19,797 |
| Cash paid to providers, employees and members | 58,377,698 | (57,846,323) |
| Cash paid to providers, employees and members – claims | (52,465,401) | (51,612,178) |
| Cash paid to providers, employees and members – non-healthcare expenditure | (5,912,297) | (6,234,145) |
| Cash used in operations | (17,315,679) | (14,262,102) |
| Cash receipts other: Employer grant | 36,372,000 | 33,369,600 |
| Net cash from operations | 19,056,321 | 19,107,498 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (25,000,000) | - |
| Interest received* | 1,708,896 | 1,313,335 |
| Net cash (used in)/from investing activities | (23,291,104) | 1,313,335 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents at the beginning of the year | 46,235,211 | 25,814,378 |
| - As previously reported | 46,235,211 | 25,814,378 |
| Cash and cash equivalents at the end of the year | 42,000,428 | 46,235,211 |

*Interest received for the prior year has been reclassified from cash flows from operating activities to cash flows from investing activities.

The statement of cash flows has been aligned to the prescribed format as set out in Circular 52 of 2021 using the direct method. The cash activities were previously reported using the indirect method.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the annual financial statements are in accordance with International Financial Reporting Standards (IFRS). The same principal accounting policies were adopted in the preparation of the summarised financial statements. For the purpose of the summarised financial statements, the accounting policies are not presented. These policies were consistently applied to all years presented, except for the change in the presentation of the cashflow statement, as required by the regulator, and the reclassification of the interest received in the cashflow statement.

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.

All information presented in the summarised financial statements is a summary of the information included in the annual financial statements. The information included in the summarised financial statements agrees with the annual financial statements.

A full set of the annual financial statements can be obtained at the Fund's registered office address.

| | 2021 | 2020 |
|--|--------------------|-------------------|
| | R | R |
| 2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS | | |
| SEGREGATED PORTFOLIO | | |
| Fair value at the beginning of the year | 68,258,418 | 68,844,312 |
| Purchases | 25,000,000 | - |
| Realised gain/(loss) on financial assets at fair value through profit and loss | 2,223,543 | (4,350,204) |
| Unrealised gain/(loss) on financial assets at fair value through profit and loss | 3,113,187 | (902,589) |
| Capitalised interest | 5,336,354 | 5,065,206 |
| Cost incurred in managing investments | (466,582) | (398,307) |
| Fair value at the end of the year | <u>103,464,920</u> | <u>68,258,418</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 2021.

The financial assets segregated portfolio comprises:

| | | |
|------------------------------|--------------------|-------------------|
| Cash | 38,576,386 | 17,656,938 |
| Collective investment scheme | 59,723,352 | 46,196,890 |
| Equities | 5,165,182 | 4,404,590 |
| | <u>103,464,920</u> | <u>68,258,418</u> |

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

3. OUTSTANDING CLAIMS PROVISION

| | 2021 | 2020 |
|---|------------------|------------------|
| | R | R |
| Not covered by risk transfer arrangements | | |
| Provision for outstanding risk claims – incurred but not reported | 1,426,073 | 1,396,502 |
| Analysis of movements in outstanding risk claims | | |
| Balance at the beginning of the year | 1,396,502 | 341,215 |
| Payments in respect of the prior year | (1,154,760) | (319,468) |
| Over provision in respect of the prior year | 241,742 | 21,747 |
| Reversal of prior year provision | (241,742) | (21,747) |
| Adjustment for the current year | 1,426,073 | 1,396,502 |
| Balance at the end of the year | 1,426,073 | 1,396,502 |
| Covered by risk transfer arrangements | | |
| Provision for outstanding risk claims – incurred but not reported | 30,285 | 42,841 |
| Analysis of movements in outstanding risk claims | | |
| Balance at the beginning of the year | 42,841 | 2,232,093 |
| Payments in respect of the prior year | (42,841) | (2,232,093) |
| Adjustment for the current year | 30,285 | 42,841 |
| Balance at the end of the year | 30,285 | 42,841 |
| Total outstanding risk claims provision | 1,456,358 | 1,439,343 |

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.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

3. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Process used to determine the assumptions (continued)

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.

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 are 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:

| | 2021 | 2020 |
|-------------------------|-------------|-------------|
| Claims outstanding for: | | |
| - December | 14.0% | 10.0% |
| - November | 3.0% | 3.0% |
| - October | 2.0% | 2.0% |
| - September | 1.0% | 1.0% |
| - August and prior | 0.5% | 1.8% |

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.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

3. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Changes in assumptions and sensitivities to changes in key variables (continued)

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 | |
|---|----------------------------|-------------|
| | 2021 | 2020 |
| | R | R |
| The impact of the sensitivity of these percentages are set out below: | | |
| Effect of a 1% change in assumptions | 1,440,334 | 1,461,981 |
| Effect of a 2% change in assumptions | 1,454,594 | 1,624,727 |
| Effect of a 3% change in assumptions | 1,468,855 | 1,790,960 |

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, which 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.

4. NET (INCOME)/EXPENSE ON RISK TRANSFER ARRANGEMENT

| | | |
|-----------------------|------------------|------------------|
| Netcare 911 (Pty) Ltd | | |
| Premiums paid | 496,268 | 519,950 |
| Recoveries received | <u>(514,652)</u> | <u>(415,539)</u> |
| | <u>(18,384)</u> | <u>104,411</u> |

5. 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 they participate 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 they provide 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 they consult and advise on various strategic issues that guides the Fund's operations, but does not control the Fund.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

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 | 2021 | 2020 |
|---|-------------|-------------|
| Key management personnel | R | R |
| <i>Statement of comprehensive income</i> | | |
| Risk contributions received | 131,468 | 146,608 |
| Claims incurred | 91,391 | 206,528 |

The Principal Officer, Trustees and committee members did not receive any fees from the Fund for the years ended 31 December 2021 and 2020.

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 capacity 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

| | 2021 | 2020 |
|---|-------------|-------------|
| | R | R |
| <i>Statement of comprehensive income</i> | | |
| Actuarial fees (NMG) | 183,770 | 177,675 |
| Administration fees (MHS) | 5,134,629 | 5,402,528 |
| Employer grant (Golden Arrow Bus Services (Pty) Ltd) | 36,372,000 | 36,372,000 |
| Managed care (MHS) | 2,298,915 | 2,418,766 |
| Printing and postage (MHS) | 39,142 | 123,045 |
| <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 | 8,754 |

Reimbursement of printing and postage costs

This constitutes amounts incurred by the Fund that was paid by the Administrator, which is refundable to the Administrator by the Fund.

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)**

5. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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.

6. 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.

7. CONTINGENT ASSET

As at 31 December 2021, 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 R464,602 (2020: R237,464).

8. CRITICAL ACCOUNTING JUDGEMENTS

In the process of applying the Fund's accounting policies, management has made the following judgements, which 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 years' 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 the 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 over 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.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

9. 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 is 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 | 2021 | 2020 |
|---|--------------------|--------------------|
| | R | R |
| Financial assets at fair value through profit and loss (note 2) | 103,464,920 | 68,258,418 |
| Cash and cash equivalents | 42,000,428 | 46,235,211 |
| Accounts receivable | 6,568,563 | 6,318,703 |
| | <u>152,033,911</u> | <u>120,812,332</u> |

9.1 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.

The table below illustrates the liquidity position of the Fund:

| | Up to 1 month | 2 – 3 months | 4 – 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.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Liquidity risk (continued)

The table below illustrates the liquidity position of the Fund: (continued)

| | Up to 1 month | 2 – 3 months | 4 – 12 months | Over 1 year | Total |
|-------------------------------|----------------------|---------------------|----------------------|--------------------|--------------------|
| 2020 | R | R | R | R | R |
| Outstanding claims provision* | (840,474) | (251,161) | (304,867) | - | (1,396,502) |
| Insurance payables | (2,458,509) | - | - | - | (2,458,509) |
| Other payables | (8,754) | (192,818) | (35,057) | - | (236,629) |
| Total | (3,307,737) | (443,979) | (339,924) | - | (4,091,640) |
| Cash and cash equivalents | 46,235,211 | - | - | - | 46,235,211 |
| Liquidity surplus | | | | | 42,143,571 |

* Outstanding claims provision not covered by risk transfer arrangements.

9.2 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.

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 | 2021 | 2020 | Credit rating | |
|------------------------------|-------------------|-------------------|--|-------------|
| | | | (Moody's National Long-Term Rating) | |
| | R | R | 2021 | 2020 |
| ABSA | 10,031,948 | 14,035,567 | Ba2 | Ba2 |
| HSBC | 5,011,658 | 9,027,600 | Aa3 | Aa3 |
| Investec | 9,027,900 | 12,034,326 | Ba2 | Ba2 |
| Nedbank | 12,331,155 | 10,632,378 | Ba2 | Ba2 |
| Standard Bank | 5,597,767 | 505,340 | Ba2 | Ba2 |
| | <u>42,000,428</u> | <u>46,235,211</u> | | |

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
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for the year ended 31 December 2021 (continued)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.2 Credit risk (continued)

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 |
|----------------------------------|-------------------------|------------------------------|-----------------|--------------|
| 2021 | R | R | R | R |
| 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 |

| | Fully performing | Past due not impaired | Impaired | Total |
|----------------------------------|-------------------------|------------------------------|-----------------|--------------|
| 2020 | R | R | R | R |
| Insurance receivables | | | | |
| - Risk contributions outstanding | 3,185,622 | 37,956 | 45,812 | 3,269,390 |
| - Member and provider debt | 2,517 | 416 | 1,448 | 4,381 |
| - Risk transfer arrangements | 42,841 | - | - | 42,841 |
| Other receivables | 3,049,351 | - | - | 3,049,351 |

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

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

| | 0 – 30 days | 30 – 60 days | 60 – 90 days | Total |
|--------------------------------|--------------------|---------------------|---------------------|--------------|
| 2020 | R | R | R | R |
| Risk contributions outstanding | 21,645 | 9,659 | 6,652 | 37,956 |
| Member and provider debt | - | - | 416 | 416 |

9.3 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.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
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for the year ended 31 December 2021 (continued)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.3 Market risk (continued)

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.

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:

| 2021 | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|------------|------------|---------|-------------|
| | 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 |

| 2020 | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|------------|------------|---------|------------|
| | R | R | R | R |
| Bonds | - | 16,997,956 | - | 16,997,956 |
| Equities | 7,229,204 | - | - | 7,229,204 |
| Money-market instruments and cash | 17,656,938 | 26,374,320 | - | 44,031,258 |
| Total | 24,886,142 | 43,372,276 | - | 68,258,418 |

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
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for the year ended 31 December 2021 (continued)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.3 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.

10. CAPITAL ADEQUACY RISK

There is a 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 354.38% at 31 December 2021 (2020: 270.42%). 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.

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.

11. 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 12 of the notes to the summarised annual financial statements for additional disclosure on events after the reporting date.

12. 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.

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

12. EVENTS AFTER REPORTING DATE (CONTINUED)

12.1 COVID-19

No form of COVID-19 relief was granted to its members. The Board of Trustees will continue to consider the potential impact of the COVID-19 outbreak on the Fund as a whole and judgements going forward.

13. NON-COMPLIANCE MATTERS

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

13.1 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

Continuous communication to employer groups to emphasise the importance of prompt payment.

13.2 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 2021, the following options reported a deficit for the year:

| | Net healthcare result | Employer grant | Surplus for the year |
|----------|------------------------------|-----------------------|-----------------------------|
| Primary | (104,119) | 280,020 | 316,416 |
| Standard | (11,179,702) | 29,336,484 | 28,600,658 |
| Advanced | (5,358,722) | 6,755,496 | 2,714,796 |

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 354.38%, the Board of Trustees were comfortable that the Fund would remain compliant with the minimum solvency ratios prescribed by the Medical Schemes Act.

**GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)**

13. NON-COMPLIANCE MATTERS (CONTINUED)

13.3 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 SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

14. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION

| 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 gain | (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 | <u>316,416</u> | <u>28,600,658</u> | <u>2,714,796</u> | <u>31,631,870</u> |
| Number of members at the end of the accounting period | 27 | 2,230 | 263 | 2,520 |

GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

14. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION (CONTINUED)

| 2020 | Primary | Standard | Advanced | Total |
|---|----------------|-------------------|------------------|-------------------|
| | R | R | R | R |
| Risk contribution income | 297,673 | 34,739,929 | 8,109,707 | 43,147,309 |
| Relevant healthcare expenditure | (269,339) | (37,177,983) | (10,529,745) | (47,977,067) |
| Net claims incurred | (267,809) | (37,087,977) | (10,516,870) | (47,872,656) |
| Net expense on risk transfer arrangement | (1,530) | (90,006) | (12,875) | (104,411) |
| Premiums paid | (7,619) | (448,215) | (64,116) | (519,950) |
| Recoveries | 6,089 | 358,209 | 51,241 | 415,539 |
| Gross healthcare result | 28,334 | (2,438,054) | (2,420,038) | (4,829,758) |
| Administration and other expenses | (91,431) | (5,373,722) | (768,992) | (6,234,145) |
| Net impairment loss | 164 | 10,497 | 1,639 | 12,300 |
| Net healthcare result | (62,933) | (7,801,279) | (3,187,391) | (11,051,603) |
| Other income | | | | |
| Grant received | 273,372 | 29,089,248 | 7,009,380 | 36,372,000 |
| Investment income | 93,775 | 5,497,731 | 787,036 | 6,378,542 |
| Realised loss on financial assets at fair value through profit and loss | (62,286) | (3,752,110) | (535,808) | (4,350,204) |
| Unrealised loss on financial assets at fair value through profit and loss | (10,742) | (784,881) | (106,966) | (902,589) |
| Other expenditure | | | | |
| Investment management fees | (5,816) | (340,858) | (48,837) | (395,511) |
| Net surplus for the year | <u>225,370</u> | <u>21,907,851</u> | <u>3,917,414</u> | <u>26,050,635</u> |
| Number of members at the end of the accounting period | 37 | 2,043 | 299 | 2,379 |

Basis of allocation

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

