

TRANSMED MEDICAL FUND

Registration number: 1582

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021

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for the year ended 31 December 2021

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES for the year ended 31 December 2021

The Trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements of Transmed Medical Fund (the Fund) comprising the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves and cash flows and the notes to the annual financial statements. The annual financial statements presented on pages 19 to 54 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act of South Africa. In addition, the Trustees are responsible for preparing the report of the Board of Trustees.

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

The Trustees are satisfied that the information contained in the annual financial statements fairly presents the results of operations, cash flows and 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 financial statements.

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

The going concern basis has been adopted in preparing the annual financial statements. The Trustees believe that the Fund will 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 Fund's external auditor is responsible for auditing the annual financial statements in terms of International Standards on Auditing and the auditor's report is presented on pages 15 to 18.

The annual financial statements, as identified in the first paragraph, were approved by the Board of Trustees on 20 April 2022 and are signed on its behalf:



.....
F Mackenzie
CHAIRPERSON



.....
B Jonker
VICE-CHAIRPERSON



.....
PL Wassermann
PRINCIPAL OFFICER

29 April 2022

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STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES for the year ended 31 December 2021

The 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 employers.

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of all its contracted service providers against their contractual obligations and service level agreements. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

The Trustees perform a self-evaluation to measure the performance of the Board and also evaluate the performance of the sub-committees against their terms of reference.

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 Board of Trustees is accountable for the process of risk management and internal controls. Risks are reviewed and identified regularly and appropriate strategies are implemented.

The administrators of the Fund maintain 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.

A formal internal audit function exists within the administrator, with regular reporting to the Audit Committee. The administrators of the Fund have documented and tested disaster recovery procedures and the Board is satisfied that the procedures are in place and tested.

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.



.....
F Mackenzie
CHAIRPERSON



.....
B Jonker
VICE-CHAIRPERSON



.....
PL Wassermann
PRINCIPAL OFFICER

29 April 2022

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REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2021

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

1. DESCRIPTION OF THE MEDICAL FUND

1.1 Terms of registration

The Fund is a not for profit restricted medical fund registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended.

1.2 Benefit options within the Transmed Medical Fund

The Fund offers the following benefit options to employees and pensioners of Transnet SOC Ltd and its subsidiaries:

- Guardian;
- Link;
- Select; and
- Prime.

2. MANAGEMENT

2.1 Board of Trustees in office during the year under review and at the date of this report:

EMPLOYER APPOINTED TRUSTEES

Mr N Budhai	Term ended 31 March 2021
Mr HJ Fourie	Re-appointed 1 April 2021
Mr F Mackenzie	Re-appointed 1 April 2021, re-appointed as Chairperson 14 April 2021
Mr MJ Mamabolo	Re-appointed 1 April 2021
Ms S Moropa	Term ended 31 March 2021
Ms K Naicker	Term ended 31 March 2021
Mr V Ramlugaan	Term ended 31 March 2021, re-appointed 1 December 2021
Mr L Siwani	Appointed 15 September 2021
Ms V Xam	Appointed 1 April 2021, resigned 31 August 2021

MEMBER ELECTED TRUSTEES

Mr C Beard	Elected 1 April 2021
Ms S Booysen	Elected 1 April 2021
Mr T Campher	Re-elected 1 April 2021
Mr WH Goosen	Re-elected 1 April 2021
Mr B Jonker	Re-elected 1 April 2021, re-appointed as Vice-Chairperson 14 April 2021
Mr F Mabaso	Elected 1 April 2021
Mr M Nondywana	Term ended 31 March 2021

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ANNUAL FINANCIAL STATEMENTS**REPORT OF THE BOARD OF TRUSTEES (continued)
for the year ended 31 December 2021****2.2 Principal Officer**

Mr PL Wassermann	
1st Floor Eagle Canyon Office Park	Private Bag 32043
Cnr Dolfyn and Christiaan de Wet Street	Braamfontein
Randparkridge	2017
Randburg	
2169	

2.3 Registered Office address and postal address

1st Floor Eagle Canyon Office Park	Private Bag 32043
Cnr Dolfyn and Christiaan de Wet Street	Braamfontein
Randparkridge	2017
Randburg	
2169	

2.4 Fund Administrator

Momentum Health Solutions (Pty) Ltd	
Parc du Cap	Parc du Cap
Mispel Road	Mispel Road
Bellville	Bellville
7530	7530

CMS accreditation no: 13

2.5 Managed care providers

Momentum Health Solutions (Pty) Ltd	
Parc du Cap	Parc du Cap
Mispel Road	Mispel Road
Bellville	Bellville
7530	7530

CMS accreditation no: 59

Universal Healthcare (Pty) Ltd	
Universal House	PO Box 1411
15 Tambach Road	Rivonia
Sunninghill Park	2128
Sandton	
2128	

CMS accreditation no: MCO 17

2.6 Investment manager

Ninety One SA Proprietary Limited
36 Hans Strijdom Avenue
Foreshore
Cape Town
8001
FSP Number 587

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REPORT OF THE BOARD OF TRUSTEES (continued) for the year ended 31 December 2021

2.7 Actuaries

NMG Consultants and Actuaries (Pty) Ltd
Belvedere Office Park
Block B
Pasita Street
Tygervally
7536

PO Box 3950
Tygervally
7536

2.8 Auditor

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Midrand
2066

Private Bag X6
Gallo Manor
2052

3. INVESTMENT STRATEGY OF THE FUND

The Fund's investment objectives are to maximise the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees.

The Board of Trustees ensure that:

- The Fund remains solvent;
- Investments are placed at minimum risk and at the best possible rate of return;
- Investments made are in compliance with the Regulations of the Act; and
- A risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified.

During 2021, the Fund invested in money market instruments, which included bonds and cash instruments. This was done mainly to ensure that the Fund had sufficient liquidity available.

The Fund's policy is reviewed annually, taking into consideration compliance with the Act, risk, returns of the various investment instruments and the surplus of funds available.

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES

4.1 Results from operations

Working Members and Pensioner (WMP) risk pool

The Trustees have implemented the actions stipulated in the business plan in order to increase the reserve ratio of the WMP risk pool in order to reach the required 25%.

The WMP risk pool consists of three options: The Prime option performed better than budget in 2021, while the Link and Select options failed to achieve budget expectations. While there was an overall deterioration of the risk pool, a return to normalised claims patterns together with the impact of COVID-19, adversely affected the performance of the risk pool.

The risk profile of the risk pool deteriorated further during the year, partially as a result of the implementation of a revised subsidy structure by the employer, which has an ongoing impact on the risk pool. The revised subsidy structure allows members to belong to other open medical schemes, as approved by the employer. The strategic plan of the Fund is to attract new members to the risk pool in order to improve the risk profile.

The reserve ratio for WMP risk pool increased from 7.00% at 31 December 2020 to 7.74% at 31 December 2021.

The Trustees believe that the risk pool will remain solvent and build reserves during the 2022 benefit year.

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ANNUAL FINANCIAL STATEMENTS**REPORT OF THE BOARD OF TRUSTEES (continued)**

for the year ended 31 December 2021

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)**4.1 Results from operations (continued)****South African Transport Services (SATS) risk pool**

Transnet SOC Ltd will continue to fund this risk pool.

The SATS risk pool's reserve ratio increased from 49.64% at 31 December 2020 to 52.60% at 31 December 2021. The risk pool performed better than anticipated for the year, mainly due to the impact of COVID-19 and the national lock down on claims patterns.

Transnet SOC Ltd remains committed to fund the SATS risk pool to the reserve level required by the Act.

The Fund

The results of the Fund are set out in the annual financial statements. The reserve ratio decreased from 22.37% at the end of December 2020 to 19.72% at the end of December 2021. Due to the fact that the Fund's reserve ratio is below the required level of 25%, the Fund is currently under financial monitoring by the Council for Medical Schemes. The Fund has regular interactions with the Council for Medical Schemes, and constantly keeps the Council for Medical Schemes informed of developments in the Fund.

4.2 Solvency ratio

	2021	2020
	R	R
Total members' funds	112 369 529	158 707 601
Less:		
Unrealised gains on financial assets at fair value through Profit or Loss	(39 635)	(72 521)
Accumulated funds per Regulation 29	<u>112 329 893</u>	<u>158 635 079</u>
Annual gross contributions	569 553 449	709 128 716
Accumulated funds ratio	<u>19,72%</u>	<u>22,37%</u>

4.3 Going concern

The Board of Trustees considers the Fund to be a going concern. The Board took the following into consideration in the evaluation of the Fund's going concern status:

- Available cash and investments at the end of the year amounted to R 146 912 481.
- Transnet SOC Ltd will be providing funding to ensure that the SATS risk pool maintains a reserve level of 25%.
- A business plan has been developed by the Trustees, with the assistance of the Fund's actuary, in order to get the Fund to a reserve level of 25%.
- It is expected that the Fund's reserve ratio will decrease from 19.72% at 31 December 2021 to 13.34% at 31 December 2022.
- An actuarial model was developed to assist the Trustees to consider the going concern status of the Fund. Even with the most negative assumptions on membership movements and membership risk profiles, the model indicated that the Fund will be a going concern.

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ANNUAL FINANCIAL STATEMENTS**REPORT OF THE BOARD OF TRUSTEES (continued)**

for the year ended 31 December 2021

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)**4.4 Operational statistics**

	2021				
	Link	Select	Prime	Guardian	Total
Number of members at the end of the accounting period	1 573	10 119	396	5 126	17 214
Average number of members for the accounting period	1 694	10 775	449	5 525	18 443
Number of beneficiaries at the end of the accounting period	2 873	16 644	480	5 908	25 905
Average number of beneficiaries for the accounting period	3 147	17 895	546	6 402	27 989
Average age of beneficiaries for the accounting period	48	50	71	81	57
Pensioner ratio (beneficiaries > 65 years)	33,2%	37,0%	74,4%	96,9%	50,9%
Average net contributions per member per month	R 1 831,80	R 2 614,62	R 7 817,79	R 2 294,12	R 2 573,45
Average net contributions per beneficiary per month	R 986,09	R 1 574,33	R 6 432,50	R 1 979,82	R 1 695,77
Average relevant healthcare expenditure per member per month	R 1 478,16	R 2 495,08	R 7 623,49	R 2 618,81	R 2 563,66
Average relevant healthcare expenditure per beneficiary per month	R 795,72	R 1 502,35	R 6 272,62	R 2 260,03	R 1 689,31
Average administration costs per member per month	R 166,71	R 146,73	R 425,69	R 468,59	R 251,78
Average administration cost per beneficiary per month	R 89,74	R 88,35	R 350,26	R 404,39	R 165,91
Average managed care services per member per month	R 98,63	R 66,81	R 202,06	R 110,78	R 86,20
Non-Healthcare expenses per average beneficiary per month	R 90,11	R 88,69	R 351,78	R 405,96	R 166,55
Average accumulated funds per member at 31 December *	WMP = R 2,675.30			R 15 612,67	R 6 527,80
Beneficiaries per member at 31 December	1,9	1,7	1,2	1,2	1,5
Managed care services as a percentage of net contributions	5%	3%	3%	5%	3%
Risk claims as a percentage of net contributions	76%	93%	95%	110%	97%
Administration expenses as a percentage of net contributions	9%	6%	5%	20%	10%
Non-Healthcare expenses as a percentage of net contributions	9%	6%	5%	21%	10%
Return on investments					4,55%

* Accumulated funds are measured for the two risk pools, WMP and SATS, and for the Fund as a whole, but not per benefit option.

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ANNUAL FINANCIAL STATEMENTS**REPORT OF THE BOARD OF TRUSTEES (continued)**

for the year ended 31 December 2021

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)**4.4 Operational statistics**

	2020				
	Link	Select	Prime	Guardian	Total
Number of members at the end of the accounting period	1 773	11 476	541	5 966	19 756
Average number of members for the accounting period	1 848	12 032	628	6 334	20 842
Number of beneficiaries at the end of the accounting period	3 318	19 268	674	6 951	30 211
Average number of beneficiaries for the accounting period	3 488	20 368	789	7 406	32 050
Average age of beneficiaries for the accounting period	48	49	69	81	57
Pensioner ratio (beneficiaries > 65 years)	30,0%	35,0%	70,6%	96,6%	49,4%
Average net contributions per member per month	R 1 765,23	R 2 490,94	R 7 266,16	R 3 362,45	R 2 835,34
Average net contributions per beneficiary per month	R 935,25	R 1 471,47	R 5 783,46	R 2 875,75	R 1 843,81
Average relevant healthcare expenditure per member per month	R 1 409,51	R 2 141,62	R 7 190,11	R 2 386,55	R 2 303,26
Average relevant healthcare expenditure per beneficiary per month	R 746,78	R 1 265,12	R 5 722,93	R 2 041,10	R 1 497,80
Average administration costs per member per month	R 166,70	R 148,09	R 527,16	R 384,39	R 232,97
Average administration cost per beneficiary per month	R 88,32	R 87,48	R 419,59	R 328,75	R 151,50
Average managed care services per member per month	R 93,80	R 65,34	R 209,10	R 104,21	R 84,01
Non-Healthcare expenses per average beneficiary per month	R 88,41	R 87,56	R 420,20	R 329,08	R 151,64
Average accumulated funds per member at 31 December *	WMP = R 2,305.43			R 21 273,17	R 8 033,39
Beneficiaries per member at 31 December	1,9	1,7	1,2	1,2	1,5
Managed care services as a percentage of net contributions	5%	3%	3%	3%	3%
Risk claims as a percentage of net contributions	75%	84%	96%	68%	78%
Administration expenses as a percentage of net contributions	9%	6%	7%	11%	8%
Non-Healthcare expenses as a percentage of net contributions	9%	6%	7%	11%	8%
Return on investments					5,88%

* Accumulated funds are measured for the two risk pools, WMP and SATS, and for the Fund as a whole, but not per benefit option.

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ANNUAL FINANCIAL STATEMENTS**REPORT OF THE BOARD OF TRUSTEES (continued)**

for the year ended 31 December 2021

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)**4.5 Reserve accounts**

Movements in the reserves are set out in the statement of changes in funds and reserves.

4.6 Outstanding risk claims

The basis of calculation of the outstanding risk claims provision is discussed in note 6 of the annual financial statements and 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.

4.7 COVID-19

During January 2020 there was a worldwide outbreak of the COVID-19 virus. The virus was spreading at an alarming rate and the World Health Organisation (WHO) declared the COVID-19 virus outbreak a global pandemic. The President of South Africa declared a national state of disaster in terms of the Disaster Management Act on 15 March 2020 and lockdown levels were instituted between March 2020 up to the date of this report. A new variant of the SARS-COV-2 virus, currently termed the Omicron variant, was identified during December 2021.

COVID-19 had the following impact on the Fund since the start of the pandemic:	2021	2020
Total lives infected	2 281	612
Total lives recovered	2 071	521
Total deaths	179	43
Total related claims expenditure in Rands	53 448 522	18 018 260

5. ACTUARIAL SERVICES

The Fund's actuaries have been consulted in the determination of the contribution and benefit levels and provide regular reports to the Fund. Reporting also include the Incurred But Not Reported (IBNR) provision calculation.

6. GUARANTEES RECEIVED BY THE FUND FROM A THIRD PARTY

No guarantees have been received by the Fund for the year ended 31 December 2021.

7. EVENTS AFTER REPORTING DATE

South Africa experienced a fourth wave of infections in December 2021 to February 2022, reaching a peak in January 2022, resulting in a significant number of infections and deaths.

In making their estimates and judgements as at 31 December 2021 (as disclosed in note 20), the Trustees took into consideration the economic conditions and forecasts as at that date. The Board of Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

Below are the assessment of each of the Fund's significant balance sheet items:

All of the Fund's investable assets were invested in cash and local capital market instruments and will therefore be largely unaffected by these events.

Allowance for expected credit losses as at 31 December 2021 have been based on incurred events at statement of financial position date. The amount recognised as at 31 December 2021 remains unchanged.

Provision for outstanding claims, as disclosed in note 6 of the annual financial statements, is an estimate of the ultimate costs of settling all claims incurred that have been occurred before the end of the reporting period, but have not been reported to the Fund. Given the fact that the risk claims provision as at 31 December 2021 relates to 2021 and prior, the claims provision remains unchanged.

The Board of Trustees are of the opinion that these events should not have a material impact on the Fund's solvency. This opinion is based on an actuarially sound projection and a conservative set of assumptions, which produced a case scenario impact on the Fund's expected claims expense. These assumptions include allowances for COVID-19 related costs namely pent-up demand and vaccine costs. The worst case scenario indicated an insignificant impact on the Fund's expected claims experience and solvency level. The Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

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REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2021

7. EVENTS AFTER REPORTING DATE (CONTINUED)

In addition, the financial reporting impact of COVID-19 will be considered in the 2022 annual financial statements.

There have been no other events that have occurred between the end of the accounting period and the date of the approval of these annual financial statements, other than items listed above, that the Trustees consider should be brought to the attention of the members of the Fund.

8. INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE MEDICAL FUND AND TO OTHER RELATED PARTIES

- The Fund holds no investments in participating employers of the Fund's members;
- Refer to the related party disclosure in note 15 of the annual financial statements; and
- Trustee remuneration is disclosed in note 11.1 of the annual financial statements.

9. MANAGEMENT OF INSURANCE RISK

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

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involves pricing guidelines, pre-authorisation and 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 pricing and provision for portfolio of insurance contracts. The principal risk is that the frequency and severity of risk claims are 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 with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the annual financial statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Fund's cash flows.

10. AUDIT COMMITTEE

The Audit Committee was established in accordance with the provisions of the Act. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of five members of which two are members of the Board of Trustees. The majority of the members, including the Chairperson, are not officers of the Fund or its third party administrator. The Committee met on two occasions during the course of the year.

The Principal Officer of the Fund, Momentum Health Solutions management, the external auditors and the internal auditors attend all Audit 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, risk management, internal control systems and financial reporting practices. The external and internal auditors formally report to the Committee on critical findings arising from audit activities.

The Committee presently comprises:

Mr C Beard	Appointed 14 April 2021
Mr K Buthelezi (Chairperson)	
Mr G Hauptfleisch	
Mr F Mackenzie	Appointed 15 September 2021
Ms S Thomas	

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ANNUAL FINANCIAL STATEMENTS**REPORT OF THE BOARD OF TRUSTEES (continued)****for the year ended 31 December 2021****11. TRUSTEE MEETING ATTENDANCE**

The following schedule sets out Board of Trustees meeting attendances. Trustee remuneration is disclosed in note 11.1 to the financial statements.

Trustee/Sub-Committee member	Board Meetings		Audit Committee		Benefits Committee		Ex-Gratia Committee		Management Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
N Budhai*	6	1										
K Moodley*	6	1										
S Moropa*	6	1										
V Ramlugaan*	6	1										
M Nondywana*	6	1										
F Mackenzie	6	6	2	1	3	3	10	10	6	6	2	2
B Jonker	6	6			3	3	10	10	6	6	2	2
T Campher	6	6			3	3	10	10	6	6		
C Beard	6	5	2	2	3	3			6	6		
F Mabaso	6	4							6	6		
J Mamabolo	6	6							6	5		
S Booysen	6	5			3	3			6	6		
W Goosen	6	2					10	2	6	1		
L Siwani	6	2										
HF Fourie	6	5										
V Xam**	6	3	2	2	3	1						

A - Is the number of meetings held during the year

B - Is the number of meetings attended

* Trustee tenure ended 31 March 2021

** Trustee resigned 1 August 2021

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12. BOARD OF TRUSTEE COMMITTEE MEETINGS

12.1 Management Committee

The Management Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties.

The Management Committee incorporates the functions and responsibilities in the following areas:

- Financial and investment management;
- Suppliers' management;
- Marketing management; and
- Managed care management.

12.2 Benefits Committee

The mandate of the Benefits Committee is:

- To make recommendations to the Board on the benefits that are offered to members; and
- To ensure long-term viability of the benefit options.

12.3 Remuneration Committee

The mandate of the Remuneration Committee is to:

- Do annual performance appraisals for the employee of the Fund; and
- Decide on annual increases in the remuneration for the employee of the Fund.

12.4 Ex-gratia Committee

The Ex-gratia Committee approved applications to the value of R197 422 (2020: R261 799), for ex-gratia assistance to members. Applications for assistance from members are evaluated against criteria as approved by the Board from time to time.

13. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998

13.1 Outstanding contributions

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Fund. Per the Fund rules, contributions are required to be received at least three days after their due date. Instances were noted where contributions were received late.

Causes for the failure

The reason for this is due to the inherent nature of the business.

Corrective action

On-going communication to employer groups has occurred. The Fund also applied annually to the Council for Medical Schemes and obtained an exemption for the three day contribution rule.

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REPORT OF THE BOARD OF TRUSTEES (continued) for the year ended 31 December 2021

13. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998 (continued)

13,2 Self-supporting options

Nature and impact

In terms of Section 33(2) benefit options shall be self-supporting in terms of membership and financial performance. The Guardian, Select and Prime options recorded deficits for the year ended 31 December 2021.

Causes for the failure

Driven by a combination of high COVID-19 related claims and higher than expected non-COVID-19 related claims, overall claims for 2021 were higher than expected or budgeted for. The Guardian Plan was budgeted to make a loss in order to reduce its reserve levels - the actual loss for the year was substantially below the budgeted loss.

Corrective action

Contributions for the Select and Prime options for 2022 have been increased at a higher percentage than the expected increase in costs. The agreement with Transnet to ensure that the SATS pool reserve levels does not fall below 25%, has been renewed. A Business Plan to get the Fund's reserve levels to 25% has updated.

13,3 Reserve ratio

Nature and impact

In terms of Regulation 29, a medical scheme should have reserves of at least 25% of its gross annual contributions. At 31 December 2021, the Fund had a reserve ratio of 19.72%, which is lower than the required level.

Causes for the failure

The working member and pensioner risk profile deteriorated during the year.

Corrective action

A business plan was developed by the Trustees, with the assistance of the Fund's actuary in order to restore the Fund's reserve levels back to 25%. The Council for Medical Schemes approved the business plan.

13,4 Payment of claims within 30 days

Nature and impact

In terms of Section 59(2) a member or provider claim should be settled within 30 days of submission. Instances were noted during sample testing where settlements took more than 30 days.

Causes of failure

Delays can occur when accounts are referred for clinical audit or other investigations. These are however the exceptions, and claims are generally paid within the prescribed time.

Corrective action

The administrator is aware of the requirements and comply as far as possible. It is however an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.

INDEPENDENT AUDITOR'S REPORT To the Members of Transmed Medical Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Transmed Medical Fund set out on pages 19 to 54, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Transmed Medical Fund as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 Statements* section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code). 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 for 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 the matter was addressed in the audit
Outstanding claim provision (IBNR)	
The outstanding risk claims provision ("IBNR") comprise provisions for the Fund's estimate of	In evaluating the valuation of the IBNR, we performed various procedures including the following:



National Executive: *LL Bam Chief Executive Officer *R Redfearn Chief Executive Officer - Elect *TMM Jordan Deputy Chief Executive Officer; Clients & Industries
*MJ Jarvis Chief Operating Officer; Acting Tax & Legal *AF Mackie Audit & Assurance *MR Verster Consulting *TA Odukoya Financial Advisory *N Sing Risk Advisory
*JK Mazzocco People & Purpose MG Dicks Risk Independence & Legal *A Muraya Responsible Business & Public Policy DP Ndlovu Chair of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Key Audit Matter	How the matter was addressed in the audit
<p>the ultimate cost of settling all claims incurred but not yet reported at the reporting date.</p> <p>The determination of the IBNR requires the Fund's Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date.</p> <p>The Trustees make use of an independent actuarial specialist for the estimation of the IBNR.</p> <p>The IBNR calculation is based on the following of factors:</p> <ul style="list-style-type: none"> • Previous experience in claims patterns. • Claims settlement patterns. • Risk claims complexity; • Volume of risk claims; • Severity of risk claims; • Trends in claims frequency; • Changes in the claims processing cycle; and • Variations in the nature and average cost per claim. <p>Certain of the above-mentioned factors require judgement and assumptions to be made by the Fund's Trustees and therefore we identified the valuation of the IBNR as a key audit matter.</p>	<ul style="list-style-type: none"> • Evaluating the design effectiveness and implementation of the Fund's controls relating to the preparation of the IBNR calculation; • Testing the completeness and accuracy of data used in the calculation of the outstanding claims provision; • Engaging our internal actuarial specialists to perform an independent calculation of the estimate of the provision using historical claims data and trends, and using this estimate as a basis of assessing the reasonableness of the trustee's estimate of the provision; • Performing a retrospective review of the outstanding claims provision raised in the 2020 financial year based on actual claims paid in 2021 to verify the assumptions applied to determine the provision are reasonable and the ability of the Fund to estimate the provision with some reliability; • Performing tests of detail on the current year IBNR including testing actual claims paid subsequent to year end and to as close as possible to audit completion date; and • Assessing the presentation and disclosures in respect of the IBNR and considered whether the disclosures reflected the risks inherent in the accounting for the IBNR. <p>The assumptions applied in the IBNR are appropriate and we are satisfied that the movement of the IBNR in the Statement of Comprehensive Income is appropriate.</p> <p>The related disclosure of the IBNR and assumptions are appropriate.</p>

The IBNR is disclosed in note 6.

Going concern assumption and reserve ratio	
<p>For the current year under audit, the Fund reported a solvency ratio of 19.72% (2020: 22.37%). The Fund is below the required solvency requirement of 25% per Regulation 29 of the Medical Schemes Act.</p> <p>Given this, the applicability of the going concern assumption was identified as a significant risk and key audit matter.</p> <p>The going concern assumption and reserve ratio is disclosed in note 25.</p>	<ul style="list-style-type: none"> • We reviewed and evaluated the Board of Trustee's assessment of the Fund's ability to continue as a going concern, including the business plan submitted to the Council for Medical Schemes and budgets prepared to support Board of Trustee's assessment. • Our review included: <ul style="list-style-type: none"> ○ Obtaining an understanding of and evaluating the process followed in preparing budgets; ○ Evaluating the design effectiveness and implementation of the Fund's controls relating to the controls around the going concern assessment and reserve ratio monitoring; ○ Evaluating the Fund's current performance against the business plan and previous budgets; ○ Evaluating the assumptions upon which the budgets have been based, and whether adequate support exists for the assumptions; ○ Consideration of the cash on hand in the Fund to fund claims; and

Key Audit Matter	How the matter was addressed in the audit
	<ul style="list-style-type: none"> Continued commitment from Transnet to fund the SATS risk pool to maintain the appropriate solvency level for the Guardian benefit option. <p>We are satisfied with the assumptions applied in the going concern assessment and the impact on the reserve ratio.</p>

Other Information

The Trustees are responsible for the other information. The other information comprises the information included in the document titled “Transmed Medical Fund Annual Financial Statements for the year ended 31 December 2021” which includes the Trustees’ Report as required by the Medical Schemes Act . 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 Fund’s Trustees for the Financial Statements

The Fund’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 , and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund’s Trustees are responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund’s Trustees either intend to liquidate the Fund 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 Fund’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund's Trustees.
- Conclude on the appropriateness of the Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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 Fund'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.

Report on Other Legal and Regulatory Requirements


Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, that have come to our attention during the course of our audit.

Audit tenure

In terms of CMS Circular 38 of 2018 Audit tenure, we report that Deloitte has been the auditor of Transmed Medical Fund for 5 years.

The Engagement Partner, Nokuthula Mavuso, has been responsible for the Transmed Medical Fund's audit for 1 year.

DocuSigned by:
 Deloitte & Touche
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Deloitte & Touche
 Registered Auditor
 Per: Nokuthula Mavuso
 Partner
 29 April 2022

TRANSMED MEDICAL FUND

Registration number: 1582

ANNUAL FINANCIAL STATEMENTS**STATEMENT OF FINANCIAL POSITION**

as at 31 December 2021

	Notes	2021 R	2020 R
ASSETS			
Non-current assets		63 279 277	48 262 324
Equipment	2	72 120	100 280
Financial assets at fair value through Profit or Loss	3	63 207 157	48 162 044
Current assets		90 885 375	161 931 103
Financial assets at fair value through Profit or Loss	3	80 033 819	140 439 292
Trade and other receivables	4	7 180 051	16 315 831
Cash and cash equivalents	5	3 671 505	5 175 980
Total assets		<u>154 164 652</u>	<u>210 193 427</u>
FUNDS AND LIABILITIES			
Members' funds		112 369 529	158 707 601
Accumulated funds		112 369 529	158 707 601
Current liabilities		41 795 123	51 485 826
Outstanding risk claims provision	6	22 437 439	23 492 980
Trade and other payables	7	19 357 684	27 992 846
Total funds and liabilities		<u>154 164 652</u>	<u>210 193 427</u>

TRANSMED MEDICAL FUND

Registration number: 1582

ANNUAL FINANCIAL STATEMENTS**STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2021**

	Notes	2021 R	2020 R
Contribution income	8	569 553 449	709 128 716
Relevant healthcare expenditure		(567 385 911)	(576 055 251)
Risk claims incurred	9	(550 341 932)	(555 985 018)
Managed care services	10	(19 076 990)	(21 010 800)
Third party claims recoveries		2 033 011	940 567
Gross healthcare result		2 167 538	133 073 465
Administration expenditure	11	(55 723 151)	(58 267 642)
Net impairment loss on healthcare receivables	12	(216 156)	(54 261)
Net healthcare result		(53 771 768)	74 751 562
Other income		7 637 341	7 899 341
Investment income	13	7 406 215	7 829 435
Sundry income	14	231 126	69 906
Other expenditure		(203 645)	(164 213)
Asset management fees		(170 759)	(154 886)
Unrealised loss on investments at fair value through Profit or Loss		(32 886)	(9 327)
(Deficit)/Surplus for the year		(46 338 072)	82 486 690

TRANSMED MEDICAL FUND

Registration number: 1582

ANNUAL FINANCIAL STATEMENTS**STATEMENT OF CHANGES IN FUNDS AND RESERVES**

For the year ended 31 December 2021

	Accumulated funds R	Total members' funds R
Balance as at 1 January 2020	76 220 911	76 220 911
Surplus for the year	82 486 690	82 486 690
Balance as at 31 December 2020	<u>158 707 601</u>	<u>158 707 601</u>
Balance as at 1 January 2021	158 707 601	158 707 601
Deficit for the year	(46 338 072)	(46 338 072)
Balance as at 31 December 2021	<u>112 369 529</u>	<u>112 369 529</u>

TRANSMED MEDICAL FUND

Registration number: 1582

ANNUAL FINANCIAL STATEMENTS**STATEMENT OF CASH FLOWS****For the year ended 31 December 2021**

		2021	Restated 2020
	Notes	R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		14 030	1 101 385
Cash receipts from members - contributions		578 616 248	699 275 731
Cash paid to providers, employees and members - claims		(576 536 236)	(574 550 201)
Cash paid to providers, employees and members - non-healthcare expenditure		<u>(56 303 045)</u>	<u>(57 554 872)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	27	(54 209 003)	68 272 043
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to equipment	2	(29 159)	(42 240)
Additions to financial assets at fair value through Profit or Loss	3	(355 405 000)	(496 447 716)
Proceeds on disposal of financial assets at fair value through Profit or Loss	3	407 935 000	428 180 000
Management fees and transaction costs	3	44 118	35 877
Interest received		159 569	290 567
NET CASH FLOW FROM INVESTING ACTIVITIES		<u>52 704 528</u>	<u>(67 983 512)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1 504 475)	288 531
Cash and cash equivalents at beginning of year		5 175 980	4 887 449
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	<u><u>3 671 505</u></u>	<u><u>5 175 980</u></u>

TRANSMED MEDICAL FUND

Registration number: 1582

ANNUAL FINANCIAL STATEMENTS**NOTES TO THE 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 set out below and are in accordance with International Financial Reporting Standards (IFRS). These policies have been consistently applied to all years presented, except for changes required by the mandatory adoption of new, revised IFRS and changes in accounting policy, as per note 27.

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, which are carried at fair value.

Use of estimates

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amount of assets, liabilities and contingent liabilities at the reporting date as well as affecting the reported income and expenditure for the year. The actual outcome may differ from these estimates. For further information on critical estimates and judgements refer to note 19.

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.

The Fund shall adopt the standards, interpretations or amendments on their effective date.

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 impact of this amendment will still be assessed by the Fund.

TRANSMED MEDICAL FUND

Registration number: 1582

ANNUAL FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021****1. PRINCIPAL ACCOUNTING POLICIES (continued)****1.2 Financial instruments***Classification*

The Fund classifies its financial assets into the following categories: at fair value through profit or loss, at fair value through other comprehensive income and amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Debt investments that do not qualify for measurement at either amortised cost or fair value through other comprehensive income.

Equity investments that are held for trading and equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Fund's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Fund holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(c) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.

TRANSMED MEDICAL FUND

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ANNUAL FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021****1. PRINCIPAL ACCOUNTING POLICIES (continued)****Recognition and measurement**

Regular way 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.

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement

Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset:

The Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

The Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Derecognition

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments

Subsequent measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Fund classifies its debt instruments:

Trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as current assets. The Fund's financial instruments at amortised cost comprises 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Fund holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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.

TRANSMED MEDICAL FUND

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ANNUAL FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

1. PRINCIPAL ACCOUNTING POLICIES (continued)**Impairment of financial assets**

Debt instruments that are measured subsequently at amortised cost are subject to impairment. In relation to the impairment of financial assets an expected credit loss model is required. 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.

The Fund recognises a loss allowance for expected credit losses on:

- (1) Debt investments measured subsequently at amortised cost;
- (2) Trade receivables and contract assets; and
- (3) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

The Fund measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Fund is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

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.

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.

TRANSMED MEDICAL FUND

Registration number: 1582

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.3 Equipment

Equipment is reflected at historical cost less accumulated depreciation and accumulated impairments. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets after taking into consideration the assets' residual value.

The estimated useful lives of equipment are as follows:

Computer equipment

- | | |
|------------|---------|
| - Hardware | 3 years |
| - Software | 2 years |

Electronic equipment 6 years

Furniture and fittings 6 years

The useful lives, depreciation methods and residual values are reviewed annually at the reporting date and adjusted if appropriate.

Maintenance and repairs are expensed as incurred. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Fund.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with its carrying amount. Gains and losses on the disposal of equipment is recognised in profit or loss.

Where components of an item of equipment have different useful lives they are accounted for as separate items.

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.

Outstanding risk claims provision

Outstanding risk claims comprise provisions for the Fund's estimate of the ultimate cost of settling all risk claims incurred but not yet reported at the reporting date. Risk claims outstanding are determined as accurately as possible based on a number of factors, which include previous experience in risk claims pattern, risk claims settlement patterns, changes in the nature and number of members according to gender and age, trends in risk claims frequency, changes in the risk claims processing cycle, and variations in the nature and average cost incurred per claim. The Fund does not discount its provision for outstanding risk claims since the effect of the time value of money is not considered material.

1.5 Insurance contracts

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

1.6 Contribution income

Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. Contributions represent gross contributions as the Fund does not have a savings account facility. The earned portion of contributions received is recognised as revenue. Contributions are earned from the date of inception of risk, over the indemnity period on a straight-line basis.

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Registration number: 1582

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.7 Risk claims

Gross claims incurred comprise all claims arising from healthcare events that have occurred in the year and for which the Fund is responsible in terms of its registered rules, whether or not reported by the end of the year.

Net risk claims incurred comprise:

- Claims submitted and accrued for services rendered during the year, net of recoveries from members for co-payments and after taking into account recoveries from third parties and discounts received from service providers;
- Claims for services rendered during the previous year not included in the outstanding risk claims provision for that year, net of recoveries from member for co-payments;
- Over or under provision relating to prior year risk claims accruals; and
- Risk claims incurred but not yet reported.

1.8 Investment income

Interest income is recognised on a yield to maturity 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.

Realised gains or losses on disposal of available-for-sale investments are recognised in surplus or deficit as investment income.

1.9 Relevant healthcare expenditure

Relevant healthcare expenditure consists of risk claims incurred, managed care services and third party claims recoveries. Managed care services represent the amounts paid or payable to third party administrators, related parties and other third parties for managing the utilisation, costs and quantity of healthcare services to the Fund. These fees are expensed as incurred.

1.10 Liabilities and related assets under the liability adequacy test

The liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows, and comparing this amount 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 surplus or deficit for the year.

1.11 Allocation of income and expenditure to benefit options

The following items are directly allocated to benefit options:

- Contribution income; and
- Risk claims incurred.

The remaining items are apportioned based on a percentage split calculated by the Fund's management.

- Managed care services;
- Administration fees;
- Impairment and recoveries on receivables;
- Sundry income; and
- Asset management fees.

TRANSMED MEDICAL FUND

Registration number: 1582

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. EQUIPMENT

	Computer equipment R	Electronic equipment R	Furniture & fittings R	Total R
Year ended 31 December 2021				
Cost				
At the beginning of the year	214 859	141 869	22 800	379 528
Additions	29 159	-	-	29 159
Disposals	(7 421)	-	-	(7 421)
At the end of the year	<u>236 597</u>	<u>141 869</u>	<u>22 800</u>	<u>401 266</u>
Accumulated depreciation				
At the beginning of the year	(154 087)	(105 382)	(19 779)	(279 248)
Depreciation charge	(49 121)	(7 031)	(1 167)	(57 319)
Disposals reversed	7 421	-	-	7 421
At the end of the year	<u>(195 787)</u>	<u>(112 413)</u>	<u>(20 946)</u>	<u>(329 146)</u>
Carrying amount at the end of the year	<u>40 810</u>	<u>29 456</u>	<u>1 854</u>	<u>72 120</u>
Year ended 31 December 2020				
Cost				
At the beginning of the year	202 105	112 383	22 800	337 288
Additions	12 754	29 486	-	42 240
At the end of the year	<u>214 859</u>	<u>141 869</u>	<u>22 800</u>	<u>379 528</u>
Accumulated depreciation				
At the beginning of the year	(106 073)	(97 382)	(18 612)	(222 067)
Depreciation charge	(48 014)	(8 000)	(1 167)	(57 181)
At the end of the year	<u>(154 087)</u>	<u>(105 382)</u>	<u>(19 779)</u>	<u>(279 248)</u>
Carrying amount at the end of the year	<u>60 772</u>	<u>36 487</u>	<u>3 021</u>	<u>100 280</u>

The carrying amounts of equipment can be reconciled as follows:

	Computer equipment R	Electronic equipment R	Furniture & fittings R	Total R
2021				
Net carrying value at beginning of the year	60 772	36 487	3 021	100 280
Additions	29 159	-	-	29 159
Disposals	(7 421)	-	-	(7 421)
Depreciation	(49 121)	(7 031)	(1 167)	(57 319)
Disposals reversed	7 421	-	-	7 421
Net carrying value at the end of the year	<u>40 810</u>	<u>29 456</u>	<u>1 854</u>	<u>72 120</u>
2020				
Net carrying value at beginning of the year	96 032	15 001	4 188	115 221
Additions	12 754	29 486	-	42 240
Disposals	-	-	-	-
Depreciation	(48 014)	(8 000)	(1 167)	(57 181)
Net carrying value at the end of the year	<u>60 772</u>	<u>36 487</u>	<u>3 021</u>	<u>100 280</u>

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3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 R	2020 R
Fair value of investments at the beginning of the year	188 601 336	112 839 957
Additions	355 405 000	496 447 716
Disposals	(407 935 000)	(428 180 000)
Capitalised interest	7 263 042	7 272 810
Realised and unrealised gain on financial assets at fair value through Profit or Loss	(49 284)	256 730
Management fees and transaction costs	(44 118)	(35 877)
	<u>143 240 976</u>	<u>188 601 336</u>
Fair value of investments at the end of the year	<u>143 240 976</u>	<u>188 601 336</u>
Total financial assets at fair value through profit or loss		
Non-current	63 207 157	48 162 044
Current	<u>80 033 819</u>	<u>140 439 292</u>
	<u>143 240 976</u>	<u>188 601 336</u>
Investments are summarised as follows:		
Money market instruments	124 635 571	174 626 797
Bonds	<u>18 605 405</u>	<u>13 974 539</u>
	<u>143 240 976</u>	<u>188 601 336</u>

Financial assets at fair value through Profit or Loss consists of money market instruments and bonds. A detailed register of investments is available for inspection at the registered office of the Fund. The maturity of the underlying instruments are disclosed on page 50 of the financial statements.

The weighted average interest rate received on the money market portfolio was 4.55% (2020: 5.88%).

4. TRADE AND OTHER RECEIVABLES

	2021 R	2020 R
<i>Insurance receivables</i>		
Contributions outstanding	6 462 859	15 696 990
Member and provider debt	<u>449 320</u>	<u>384 937</u>
	6 912 179	16 081 927
Less: Allowance for expected credit losses		
Opening balance	(29 678)	(41 156)
Movement during the year	(234 473)	(68 819)
Impairment loss recognised during the year	<u>226 386</u>	<u>80 297</u>
Closing balance	(37 765)	(29 678)
<i>Loans and receivables</i>		
Sundry accounts receivable	173 634	174 993
Prepaid expenses	<u>132 003</u>	<u>88 589</u>
	<u>7 180 051</u>	<u>16 315 831</u>

The Fund establishes an allowance for impairment that represents its estimate of expected credit losses (IFRS9) in respect of insurance receivables. The collective loss allowance is determined based on asset policy, while bearing in mind historical data of payment statistics for similar financial assets.

The provision for impairment at 31 December 2021 was determined in accordance with the guidelines of the simplified approach (life time expected losses) of the expected credit loss model as required by IFRS9. It is in respect of contributions receivable as well as member and service provider debit balances recoverable by management. In order for the Fund to determine lifetime expected losses, a provision matrix was used. The provision matrix is based on historical observed default rates, adjusted for forward looking estimates. At every reporting date, the historical observed rates are updated.

The carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets. The estimated future cash flow receipts have not been discounted as the effect would be immaterial.

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ANNUAL FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021****5. CASH AND CASH EQUIVALENTS**

	2021	2020
	R	R
Current accounts	3 671 505	5 175 980
	<u>3 671 505</u>	<u>5 175 980</u>

The weighted average effective interest rate on the Fund's current accounts was 0.72% (2020: 1.50%).

The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

6. OUTSTANDING RISK CLAIMS PROVISION

	2021	2020
	R	R
Provision for outstanding risk claims	22 437 439	23 492 980
Analysis of movements in outstanding risk claims		
Balance at beginning of year	23 492 980	25 704 424
Payments in respect of prior year	(18 027 489)	(21 685 919)
(Under)/over provision in respect of prior years (note 9)	5 465 491	4 018 505
Adjustment for current year	16 971 948	19 474 475
Balance at end of year	<u>22 437 439</u>	<u>23 492 980</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 sources 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 risk 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 risk 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 are further complicated by risk claims complexity, volume of risk claims, the severity of risk claims, determining the occurrence date of claim and reporting lags.

The cost of outstanding risk claims is estimated using run-off triangles. Such methods extrapolate the development of paid and incurred risk claims, average cost per risk claims and ultimate risk claim numbers for each year based upon observed development of earlier years and expected loss ratios. Run-off triangles are used in situations where it takes time after the treatment date until the full extent of the risk 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 Fund's actuarial consultant also calculated the provision using the Bornhuetter-Ferguson (BF) Method to confirm the accuracy of the provision.

The method used is consistent with prior years and considered and observed historical risk claims development. To the extent that these methods use historical risk claims development information they assume that the historical risk 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 method. Such reasons include:

- 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.

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ANNUAL FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021****6. OUTSTANDING RISK CLAIMS PROVISION (continued)****Assumptions**

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

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.

Other assumptions:

- The actual demographics of the Fund were used including all membership movements for the period.
- The effect of ageing of the population on the utilisation of health services is automatically incorporated.
- The impact on new technology and the depreciation of the Rand were taken into account.

The assumed percentages of risk claims settled at the end of the period:

Risk claims settled for services rendered in:	2021	2020
	%	%
December	36,2	29,4
November	84,7	81,2
October	95,6	94,4
September	98,0	98,1
August and prior	99,4	99,7

The impact on profit or loss of the sensitivity of these percentages are illustrated below:	2021	2020
	R	R
Effect of a 1% point change in assumptions used	2 156 541	2 390 914
Effect of a 2% point change in assumptions used	4 420 164	4 766 522
Effect of a 3% point change in assumptions used	6 803 451	5 842 887

This analysis is prepared for a change in a specific variable, namely risk claims outstanding at the end of each month, with other assumptions remaining constant.

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

7. TRADE AND OTHER PAYABLES

	2021	2020
	R	R
Insurance liabilities		
Reported claims not yet paid	13 272 852	21 367 635
Financial liabilities		
Other payables and accrued expenses	6 084 832	6 625 211
	<u>19 357 684</u>	<u>27 992 846</u>

The carrying amounts of trade and other payables approximate their fair values due to the short-term maturities of these liabilities.

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8. CONTRIBUTION INCOME

	2021	2020
	R	R
Gross contributions	569 553 449	709 128 716
	<u>569 553 449</u>	<u>709 128 716</u>

9. RISK CLAIMS INCURRED

Current year risk claims	533 369 984	536 510 543
Movement in outstanding risk claims provisions:	16 971 948	19 474 475
- Adjustment for current year (note 6)	22 437 439	23 492 980
- Over provision in respect of prior years (note 6)	(5 465 491)	(4 018 505)
	<u>550 341 932</u>	<u>555 985 018</u>

10. MANAGED CARE SERVICES

Active disease risk management services	3 395 563	3 751 567
Disease risk management support services	849 396	939 037
Hospital benefit management services	5 654 552	6 248 030
Network management services	4 062 901	4 421 913
Pharmacy benefit management services	5 114 578	5 650 253
	<u>19 076 990</u>	<u>21 010 800</u>

11. ADMINISTRATION EXPENSES

Actuarial and consulting fees	2 673 860	2 676 595
Administrator's fees	38 168 322	42 033 222
Association fees	265 192	171 613
Audit fee	1 184 500	1 132 405
Audit committee fees	277 927	242 819
Bank charges	355 164	362 556
Benefit management services	368 720	447 621
Communication and other office expenses	869 420	985 218
Depreciation	57 319	57 181
Fidelity guarantee and professional indemnity insurance premium	118 175	107 426
Lease rentals	1 057 232	1 035 076
Marketing	1 454 602	1 441 310
Other expenses	133 039	143 012
Personnel expenditure	982 255	1 220 764
Principal Officer's fees and expenses	4 820 152	4 563 703
Registrar's levies	878 662	865 040
Travel and accommodation	85 576	34 563
Trustee elections	530 329	-
Trustees' remuneration and consideration expenses (Note 11.1)	1 442 705	747 518
	<u>55 723 151</u>	<u>58 267 642</u>

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ANNUAL FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS**

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11. ADMINISTRATION EXPENSES (continued)**11.1 Trustees' remuneration and consideration expenses - 2021**

Name	Fees for meeting attendance R	Fees for holding office R	Travel and accommodation R	Conference fees R	Telephone allowance R	Total R
Mr C Beard	85 708	20 835	22 255	-	-	128 798
Ms S Booysen	88 901	20 835	55 606	-	3 150	168 492
Mr T Campher	116 349	27 556	6 857	-	1 350	152 112
Mr HJ Fourie	51 258	27 556	121	-	-	78 935
Mr WH Goosen	43 975	13 778	20 379	-	2 250	80 382
Mr B Jonker	163 611	27 557	93 007	-	4 500	288 675
Mr F Mabaso	68 567	20 835	63 980	-	-	153 382
Mr F Mackenzie	155 126	41 156	24 025	-	1 350	221 657
Mr MJ Mamabolo	65 206	27 556	5 745	-	-	98 507
Mr M Nondywana	8 963	6 721	-	-	-	15 684
Mr L Siwani	22 688	7 058	19 690	-	900	50 336
Ms V Xam	-	-	5 745	-	-	5 745
Total	870 352	241 443	317 410	-	13 500	1 442 705

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11. ADMINISTRATION EXPENSES (continued)**11.1 Trustees' remuneration and consideration expenses - 2020**

Name	Fees for meeting attendance R	Fees for holding office R	Travel and accommodation R	Conference fees R	Telephone allowance R	Total R
Mr N Budhai	-	-	2 140	-	-	2 140
Mr T Campher	88 508	26 884	2 140	-	5 400	122 932
Mr HJ Fourie	11 204	26 884	-	-	-	38 088
Mr WH Goosen	70 582	26 884	264	-	5 400	103 130
Mr B Jonker	100 264	26 884	44 111	-	5 400	176 659
Mr F Mackenzie	115 375	40 152	2 140	-	-	157 667
Mr MJ Mamabolo	28 010	26 884	2 140	-	-	57 034
Mr M Nondywana	54 898	26 884	2 140	-	-	83 922
Mr V Ramlugaan	-	-	3 806	-	-	3 806
Ms S Moropa	-	-	2 140			2 140
Total	468 841	201 456	61 021	-	16 200	747 518

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ANNUAL FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021****12. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES**

	2021	2020
	R	R
Trade and other receivables		
Debt not collectable:		
Movement in allowance for expected credit losses	8 087	(11 478)
Written off during the year	226 386	80 297
Previously written off receivables recovered	(18 317)	(14 558)
	<u>216 156</u>	<u>54 261</u>

Trade and other receivables are considered to be impaired when four months have elapsed and the outstanding amount has not been collected.

	2021	2020
	R	R
13. INVESTMENT INCOME		
Realised (loss)/gain on disposal of financial assets at fair value through Profit or Loss	(16 396)	266 058
Interest on cash and cash equivalents	159 569	290 567
Interest on financial assets at fair value through other Profit or Loss	7 263 042	7 272 810
	<u>7 406 215</u>	<u>7 829 435</u>

14. SUNDRY INCOME

Old and unidentified credit balances written back to income	231 126	69 906
	<u>231 126</u>	<u>69 906</u>

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15. RELATED PARTY TRANSACTIONS**Employer**

Transnet SOC Ltd is providing additional funding for the SATS risk pool (Guardian option) in order to cover the shortfall between member contributions and claims, and to keep the risk pool at the statutory required reserve ratio level of 25%.

Administrators and their associates

The administrators and their associates do not fall within the definition of a related party. The information below has been included due to the significance of the outsourcing relationships.

The administrator Momentum Health Solutions (Pty) Ltd has significant influence over the Fund, as Momentum Health Solutions provides financial and operational information as well as managed care services, but does not control the Fund. Momentum Health Solutions provides administration and managed care services.

Universal Health (Pty) Ltd provides administration and managed care functions on the Link Option but does not control the Fund.

Actuarial and Consultancy services company NMG Consultants and Actuaries (Pty) Ltd has significant influence over the Fund, as it provides actuarial and consultancy services but does not control the Fund.

Transactions with administrators and their associates are governed by contracts and service level agreements.

Key management personnel

The key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Fund. Key management personnel include the Board of Trustees, Principal Officer, sub-committee members, their dependants and close family members.

Transaction with related parties

The following table provides the total amount of transactions which have been entered into with related parties for the relevant year.

Key management personnel (Board of Trustees, Principal Officer and sub-committee members)

	2021	2020
	R	R
Statement of comprehensive income		
Contributions received	300 984	277 160
Claims incurred	(634 743)	(475 109)
Principal Officer's fees and expenses	(4 820 152)	(4 563 703)
Board of Trustee's fees and expenses	(1 442 705)	(747 518)
Audit committee fees	(277 927)	(242 819)

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ANNUAL FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021****15. RELATED PARTY TRANSACTIONS (continued)**

Details regarding trustee remuneration is disclosed in note 11.1.

There were no ex-gratia payments made to key management during the 2021 and 2020 financial years.

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

Transaction	Nature of transactions and conditions thereof.
Contributions received	This constitutes the contributions paid by the party as a member of the Fund, in their individual capacity. All contributions were at the same terms as applicable to third parties.
Claims incurred	This constitutes the amounts claimed by related parties, in their individual capacity as members of the Fund.

Transaction with entities that have significant influence**2021
R****2020
R****Statement of comprehensive income**

Transnet SOC Ltd - funding for SATS pensioners	125 248 731	226 500 000
Momentum Health Solutions - Administration fee	38 168 322	42 033 222
Momentum Health Solutions - Managed care services	17 513 740	19 351 028
NMG Consultants and Actuaries - Actuarial services	2 673 860	2 676 595
Universal Health - Managed care services	1 563 250	1 659 771

Statement of financial position

Momentum Health Solutions - reimbursement due	326 629	424 115
NMG Consultants - actuarial fees due	-	222 822

Terms and conditions of the administration agreement (Momentum Health Solutions)

The administration agreement is in terms of the rules of the Fund and in accordance with instruction given by the Board of Trustees of the Fund. The Board of Trustees reviews the performance of the service provider and renew the contract on an annual basis. The Fund has the right to terminate the agreement on 180 days notice.

Terms and conditions of the managed care agreement (Momentum Health Solutions)

The managed care agreement is in accordance with instruction given by the Trustees of the Fund. The Board of Trustees reviews the performance of the service provider and renew the contract on an annual basis. The Fund has the right to terminate the agreement on 90 days notice.

Terms and conditions of the administration and managed care agreement (Universal Health)

The Universal Health agreement is in accordance with the instruction given by the Board of Trustees of the Fund. The Board of Trustees reviews the performance of the service provider and renew the contract on an annual basis. The Fund has the right to terminate the agreement on 180 days' notice.

Terms and conditions of actuarial and consultancy contracts

The actuarial and consultancy contract is in accordance with the instruction given by the Board of Trustees of the Fund. The Board of Trustees reviews the performance of the service provider and renew the contract on an annual basis. The Fund has the right to terminate the agreement on 90 days notice.

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16. NET HEALTHCARE RESULT PER BENEFIT OPTION

2021	Link R	Select R	Prime R	Guardian R	Total R
Contribution income	37 238 729	338 070 989	42 145 718	152 098 013	569 553 449
Relevant healthcare expenditure	(30 049 581)	(322 613 920)	(41 098 222)	(173 624 188)	(567 385 911)
Risk claims incurred	(28 231 084)	(315 162 477)	(40 058 837)	(166 889 534)	(550 341 932)
Managed care services	(2 004 992)	(8 638 061)	(1 089 296)	(7 344 641)	(19 076 990)
Third party risk claims recoveries	186 495	1 186 618	49 911	609 987	2 033 011
Gross healthcare result	7 189 148	15 457 069	1 047 496	(21 526 175)	2 167 538
Administration expenditure	(3 389 044)	(18 972 270)	(2 294 917)	(31 066 919)	(55 723 150)
Net impairment losses on healthcare receivables	(13 142)	(73 601)	(8 884)	(120 529)	(216 156)
Net healthcare result	3 786 962	(3 588 802)	(1 256 305)	(52 713 623)	(53 771 768)
Other income	152 899	1 331 958	154 658	5 964 940	7 604 455
Other expenditure	(3 051)	(27 705)	(3 460)	(136 543)	(170 759)
Surplus/(deficit) for the year	3 936 810	(2 284 549)	(1 105 107)	(46 885 226)	(46 338 072)
Number of members at the end of the year	1 573	10 119	396	5 126	17 214

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16. NET HEALTHCARE RESULT PER BENEFIT OPTION

2020	Link R	Select R	Prime R	Guardian R	Total R
Contribution income	39 145 799	359 651 836	54 757 804	255 573 277	709 128 716
Relevant healthcare expenditure	(31 257 347)	(309 216 172)	(54 184 656)	(181 397 076)	(576 055 251)
Risk claims incurred	(29 260 099)	(300 323 758)	(52 639 137)	(173 762 024)	(555 985 018)
Managed care services	(2 080 069)	(9 433 850)	(1 575 810)	(7 921 071)	(21 010 800)
Third party risk claims recoveries	82 821	541 436	30 291	286 019	940 567
Gross healthcare result	7 888 452	50 435 664	573 148	74 176 201	133 073 465
Administration expenditure	(3 696 660)	(21 381 330)	(3 972 646)	(29 217 006)	(58 267 642)
Net impairment losses on healthcare receivables	(3 473)	(19 914)	(3 743)	(27 131)	(54 261)
Net healthcare result	4 188 319	29 034 420	(3 403 241)	44 932 064	74 751 562
Other income	21 883	184 380	23 947	7 659 804	7 890 014
Other expenditure	(312)	(2 857)	(425)	(151 292)	(154 886)
Surplus/(deficit) for the year	4 209 890	29 215 943	(3 379 719)	52 440 576	82 486 690
Number of members at the end of the year	1 773	11 476	541	5 966	19 756

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17. 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 manner in which the Fund manages them.

Insurance risk - description of benefit options

The types of benefits offered by the Fund in return for monthly contributions are indicated below:

Description of health benefits provided

Link

Hospitalisation: This option provides hospital benefits for PMB conditions at State facilities. Admissions in Private facilities are covered through Universal Healthcare network for emergency treatment in cases of an accident or trauma and for selected procedures.

Chronic benefits: Benefits are provided through Universal network pharmacies.

Day-to-day cover: Benefits are provided through Universal Healthcare networks and contracted providers.

Select

Hospitalisation: This option provides hospital benefits for PMB and non-PMB conditions at State facilities. Admissions in Private facilities are covered through Transmed private hospital network for emergency treatment (medical, accidents and trauma), psychiatric treatment, cancer surgery and for selected procedures.

Chronic benefits: Benefits are provided through Transmed pharmacy network.

Day-to-day cover: Benefits are provided through the member's own choice of healthcare or service provider, subject to the day-to-day limit.

Optical and dental services which are managed by the contracted providers.

Prime

Hospitalisation: This option provides private hospital benefits for PMB conditions through Transmed private hospital network.

Chronic benefits: Benefits are provided through Transmed pharmacy network.

Day-to-day cover: No day-to-day cover is provided other than out-patient care for chronic conditions.

Guardian

Hospitalisation: This option provides hospital benefits for PMB and non-PMB conditions at State facilities and for selected procedures at private facilities.

Chronic benefits: Benefits are provided through Transmed pharmacy network.

Day-to-day cover: Benefits are provided through the member's own choice of healthcare or service provider, subject to the day-to-day limit.

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17. INSURANCE RISK MANAGEMENT (continued)

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 members. As such the Fund is exposed to the uncertainty surrounding the timing and severity of risk claims under the risk contract. The Fund also has exposure to market risk through its investment activities.

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 level specified. The Board of Trustees also determines the policy for entering into alternative risk transfer arrangements and/or commercial re-insurance contracts. The annual business plan is structured around the insurance risk management policy.

The Fund manages its insurance risk through:

- benefit limits and sub-limits on different categories of risk claims;
- approval procedures for transactions that involve pricing guidelines;
- pre-authorisation for procedures and hospitalisation in order to monitor and manage cost;
- case management to ensure effective and cost effective treatment;
- disease risk management, which focus on high cost individuals;
- medicine risk management programme;
- HIV and AIDS programme; and
- Home care programme.

The Fund uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing. The principal risk is that the frequency and severity of risk claims is greater than expected. Insurance events are by their nature, random, and actual number and size of events during any one year may vary from those estimated with established statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Fund has developed its insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficient large population of risks to reduce the variability of the expected outcome.

Frequency and severity of risk claims

For insurance contracts issued, climatic and seasonal changes, as well as the spread of pandemics give rise to more frequent and severe risk claims.

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ANNUAL FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021****17. INSURANCE RISK MANAGEMENT (continued)****Source of uncertainty in the estimation of future risk claims payments**

The Fund re-rates its benefits annually, to ensure that the necessary underwriting surplus is maintained relative to the risk exposure. It is relatively easy to assess the future risk claim payments since the large majority is lodged soon after year-end before the four month expiration of claims period comes into effect.

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 by each option, the preferred target market and demographic split thereof.

All the contracts are annual in nature and the Fund has the right to change the terms and conditions of the contract at renewal. Monthly management reports are reviewed which has certain management information including risk contribution income and loss ratios by option.

Concentration of insurance risk

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

2021

Age grouping (in years)	Link	Select	Prime	Guardian	Total
< 26	705	3 608	8	33	4 354
26 - 35	91	782	1	1	875
36 - 50	593	3 557	15	37	4 202
51 - 64	600	2 906	111	300	3 917
> 65	884	5 791	345	5 537	12 557
Total	2 873	16 644	480	5 908	25 905

2020

Age grouping (in years)	Link	Select	Prime	Guardian	Total
< 26	838	4 241	20	35	5 134
26 - 35	117	1 083	4	2	1 206
36 - 50	638	3 926	32	40	4 636
51 - 64	806	3 665	168	374	5 013
> 65	919	6 353	450	6 500	14 222
Total	3 318	19 268	674	6 951	30 211

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

2021

Age grouping (in years)	Medical specialists	General practitioner including Optical and Dental	Supplementary Health Services	Medicines	Private Hospital	Provincial Hospital	Total
	R	R	R	R	R	R	R
<26	2 541 539	469 895	859 053	2 990 373	3 517 072	173 612	10 551 544
26 - 35	2 199 729	464 109	319 645	2 191 917	1 433 134	1 548 864	8 157 398
36 - 50	13 350 946	2 874 668	4 028 711	10 292 300	10 239 330	3 005 865	43 791 821
51 - 65	17 904 137	5 950 491	4 892 171	14 188 762	17 159 342	4 231 964	64 326 866
>65	83 007 820	20 350 878	34 123 245	112 493 294	88 249 456	21 025 368	359 250 060
Link Optical & Dental IBNR adjustment		20 546 071					26 746 223 20 546 071 16 971 948
Total	119 004 170	50 656 112	44 222 825	142 156 646	120 598 334	29 985 674	550 341 932

2020

Age grouping (in years)	Medical specialists	General practitioner including Optical and Dental	Supplementary Health Services	Medicines	Private Hospital	Provincial Hospital	Total
	R	R	R	R	R	R	R
<26	1 360 773	175 331	919 432	5 584 286	870 205	219 876	9 129 903
26 - 35	1 902 659	1 204 269	812 437	1 308 137	3 903 862	1 286 310	10 417 674
36 - 50	8 160 937	3 212 123	2 806 338	6 172 306	7 575 224	1 118 560	29 045 488
51 - 65	18 918 236	5 055 876	4 550 289	17 941 377	18 670 970	5 692 208	70 828 956
>65	82 184 149	21 499 958	33 150 595	115 134 414	95 531 390	20 644 909	368 145 416
Link Optical & Dental IBNR adjustment		21 384 035					27 559 071 21 384 035 19 474 475
Total	112 526 755	52 531 592	42 239 091	146 140 521	126 551 651	28 961 863	555 985 018

The sensitivity analysis for insurance risk illustrates the effect of an ageing membership profile on the insured benefit payment.

An average increase of one year in the age profile of the Fund will increase insured benefits costs with 0.51% (2020:0.82%).

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17. INSURANCE RISK MANAGEMENT (continued)**Risk claims development**

Disclosure pertaining to risk claims development is not required as the uncertainty regarding the amounts and timing of risk claim payments is typically resolved within one year. At year-end the provision is made for those risk claims outstanding that are not yet reported at that date. Details regarding the provision is disclosed in note 6.

18. CAPITAL MANAGEMENT

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

The Fund monitors capital using a solvency ratio, which is accumulated funds divided by annual contributions.

The Medical Schemes Act requires the Fund to maintain a solvency ratio of 25% of contributions. The Fund's solvency ratio is 19.72% (2020: 22.37%) (Refer note 25 on page 50).

The Trustees have implemented the actions stipulated in the business plan in order to increase the reserve ratio of the Working Members and Pensioner (WMP) risk pool in order to reach the required 25% level.

The SATS risk pool's reserve ratio was 52.60% at the end of the year. The funding from Transnet SOC Ltd for the 2022 year will be enough to maintain reserves of 25%.

This measure of capital is consistent with prior years. The Fund's objective is to return to a solvency level of 25%.

19. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

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 financial statements.

A key assumption concerning the future that has a significant risk of causing a material adjustment to the carrying amounts of liabilities in the next financial year is that used to determine the provision for outstanding risk claims (refer note 6).

When arriving at this provision, it is assumed that the reporting and settlement trend of risk claims incurred but not reported will be similar to that of the previous and current financial period. The provision is calculated based on percentages derived from the previous and current financial period and is adjusted as the claims are reported and settled.

Although the assumption is considered critical, post reporting date settlements are monitored to ensure reasonability of the original provision.

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ANNUAL FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021****20. FINANCIAL RISK MANAGEMENT**

The Management Committee makes risk management and investment decisions, under the guidance and policies approved by the Board of Trustees. The Management Committee identifies and evaluates financial risks associated with the Fund's investment portfolio.

The Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, market risk, credit risk, and investing excess liquidity. The Board of Trustees approves all of these written policies.

The Fund appointed a professional asset management company to manage the Fund's investment portfolio. The approach of the asset manager is to construct a portfolio of diversified asset classes in order to obtain an optimal risk/return mix. The strategy is to focus on strategic asset allocation rather than on timing the market. This will mitigate the risk in volatile markets.

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 R	2020 R
Financial assets at fair value through Profit or Loss	143 240 976	188 601 336
Cash and cash equivalents (note 5)	3 671 505	5 175 980
Trade and other receivables (note 4)	7 180 051	16 315 831
	<u>154 092 532</u>	<u>210 093 147</u>

The Fund's activities expose it to market risk. Market risk is defined as the risk that the fair value of future cash flow of financial instruments will fluctuate because of changes in market prices. Market price risk comprises three types of risk: currency risk, interest rate risk and other price risk. These risks arise from open positions in interest rates which are exposed to general and specific market movements. 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 following summary represents the major liabilities in the Fund.	2021 R	2020 R
Outstanding risk claims provision (note 6)	22 437 439	23 492 980
Trade and other payables (note 7)	19 357 684	27 992 846
	<u>41 795 123</u>	<u>51 485 826</u>

The Fund does not pay any interest on these liabilities.

Financial Risk Factors***Currency risk***

The Fund operates in South Africa and therefore its cash flows are denominated in South African Rand (ZAR). The Fund therefore is not exposed to currency risk.

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20. FINANCIAL RISK MANAGEMENT (continued)***Interest rate risk***

The Fund is exposed to interest rate risk through its investments in interest bearing investments.

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 maturity dates.

2021	Up to 1 Month R	1 – 3 months R	More than 3 months R	More than 1 year	Total R
Cash and cash equivalents	3 671 505	-	-	-	3 671 505
Financial assets at fair value through Profit or Loss	40 807 797	3 820 361	35 405 660	63 207 158	143 240 976
	<u>44 479 302</u>	<u>3 820 361</u>	<u>35 405 660</u>	<u>63 207 158</u>	<u>146 912 481</u>
2020	Up to 1 Month R	1 – 3 months R	More than 3 months R	More than 1 year	Total R
Cash and cash equivalents	5 175 980	-	-	-	5 175 980
Financial assets at fair value through Profit or Loss	64 331 840	10 365 572	65 741 880	48 162 044	188 601 336
	<u>69 507 820</u>	<u>10 365 572</u>	<u>65 741 880</u>	<u>48 162 044</u>	<u>193 777 316</u>

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.

A decrease/increase of 100 basis points in interest yields would result in an increase/decrease in members' funds of R 1 469 125 (2020: R 1 937 773).

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.

Other price risk

The Fund was not exposed to equity risk during the year.

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ANNUAL FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021****20. FINANCIAL RISK MANAGEMENT (continued)*****Credit risk***

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

The amounts presented in the statement of financial position are net of allowances for impairment. 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.

Trade and other receivables

The Fund's exposure to credit risk is influenced by the characteristics of each member and the demographics of the membership base. Geographically there is no concentration of credit risk.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtor's ability to pay all amounts due according to the contractual terms (for example on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Contribution debtors are collected in arrears within 30 days of raising. In monitoring member credit risk, members are grouped according to their credit characteristics, including whether they are an individual, group or government member, whether the risk arises from contributions or member shortfalls. The Board has approved a credit control policy, thereby managing the credit risk to the Fund.

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

As at 31 December 2021

	Fully performing R	Past due R	Impaired R	Total R
Contributions outstanding	6 365 983	96 876	-	6 462 859
Member and provider debt	82 168	329 387	37 765	449 320
Other receivables	305 637	-	-	305 637
	6 753 788	426 263	37 765	7 217 816

As at 31 December 2020

	Fully performing R	Past due R	Impaired R	Total R
Contributions outstanding	15 652 705	44 285	-	15 696 990
Member and provider debt	269 638	85 621	29 678	384 937
Other receivables	263 582	-	-	263 582
	16 185 925	129 906	29 678	16 345 509

The table above illustrates the Fund's maximum exposure to credit risk.

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

As at 31 December 2021

	30 - 60 days	60 - 90 days	90 - 120 days	Total
	R	R	R	R
Contributions outstanding	96 876	-	-	96 876
Member and provider debt	19 825	1 317	308 245	329 387
	<u>116 701</u>	<u>1 317</u>	<u>308 245</u>	<u>426 263</u>

As at 31 December 2020

	30 - 60 days	60 - 90 days	90 - 120 days	Total
	R	R	R	R
Contributions outstanding	44 285	-	-	44 285
Member and provider debt	26 305	39 200	20 116	85 621
	<u>70 590</u>	<u>39 200</u>	<u>20 116</u>	<u>129 906</u>

Contribution debtors

On analysing the credit quality of contribution debtors, the Fund collected 99% of these amounts in January 2022. This indicates a high credit quality relating to debtors. Consequently no additional disclosure of credit quality is provided.

Active member claim debtors

These debtors are members of the Fund and therefore are expected to have similar credit quality to the contribution debtors. This does not imply that all amounts were collected in January 2022.

Cash and cash equivalents

The credit risk on liquid funds is limited because the counter parties are financial institutions with high credit ratings. The Fund has no significant concentration of credit risk, with exposure spread over a large number of counter parties and members.

Moody's deposit ratings	Credit Rating		2021	2020
Financial institution	2021	2020	R	R
ABSA	Ba2	Ba2	800 032	2 488 048
Citibank	Aa3	Aa3	10 088	9 165
Standard Bank	Ba2	Ba2	2 290 332	2 067 143
Nedbank	Ba2	Ba2	571 053	611 624

Financial assets at fair value through Profit or Loss

The Fund limits its exposure to credit risk by investing in liquid securities and only with counterparties that have a high credit rating. The Trustees do not expect any counterparty to fail to meet its obligations. Annexure B to Regulation 30 to the Medical Schemes Act, of South Africa, as amended, prescribes the credit limits per institution which reduces the individual risk per institution. The utilisation of these limits are regularly monitored.

Fair value estimation

The carrying value of financial assets (less allowance for expected credit losses) and financial liabilities with a maturity date 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 that is available to the Fund for similar financial instruments.

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20. FINANCIAL RISK MANAGEMENT (continued)***Fair value of financial instruments***

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

The hierarchy levels are defined as follows:

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).

The Fund's financial instruments totalling R 143 240 976 (2020: R 188 601 336), measured at fair value at reporting date are all categorised as level 1 instruments.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund applies prudent liquidity risk management by maintaining sufficient cash and marketable securities so that the availability of funding through liquid holding cash positions with various financial institutions to ensure that the Fund has the ability to fund its day-to-day operations.

Management monitors rolling forecasts of the Fund's liquidity reserve which comprises of cash and cash equivalents (note 5) on the basis of expected cash flow. In addition, the Fund's liquidity management policy involves projecting cash flows for seasonal variances and considers the level of liquid assets necessary to meet these and monitoring statement of financial position liquidity ratios against external regulatory requirements.

At year-end 100% (2020: 100%) of the Fund's assets was invested in money market instruments to ensure that the Fund can meet its short-term liabilities.

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

2021	Up to 1 Month R	1 – 3 months R	More than 3 months R	More than 1 year	Total R
Non-current assets					
Financial assets at fair value through Profit or Loss	-	-	-	63 207 158	63 207 158
Current assets					
Financial assets at fair value through Profit	40 807 797	3 820 361	35 405 660	-	80 033 818
Trade and other receivables	6 753 788	426 263	-	-	7 180 051
Cash and cash equivalents	3 671 505	-	-	-	3 671 505
Total assets	<u>51 233 090</u>	<u>4 246 624</u>	<u>35 405 660</u>	<u>63 207 158</u>	<u>154 092 532</u>
Current liabilities					
Trade and other payables	19 357 684	-	-	-	19 357 684
Outstanding risk claim provision	9 020 688	8 141 071	5 275 680	-	22 437 439
Total liabilities	<u>28 378 372</u>	<u>8 141 071</u>	<u>5 275 680</u>	<u>-</u>	<u>41 795 123</u>

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20. FINANCIAL RISK MANAGEMENT (continued)

2020	Up to 1 Month R	1 – 3 months R	More than 3 months R	More than 1 year	Total R
Non-current assets					
Financial assets at fair value through Profit or Loss	-	-	-	48 162 044	48 162 044
Current assets					
Financial assets at fair value through Profit or Loss	64 331 840	10 365 572	65 741 880	-	140 439 292
Trade and other receivables	16 185 925	129 906	-	-	16 315 831
Cash and cash equivalents	5 175 980	-	-	-	5 175 980
Total assets	<u>85 693 745</u>	<u>10 495 478</u>	<u>65 741 880</u>	<u>48 162 044</u>	<u>210 093 147</u>
Current liabilities					
Trade and other payables	27 992 846	-	-	-	27 992 846
Outstanding risk claim provision	8 568 380	7 807 196	7 117 404	-	23 492 980
Total liabilities	<u>36 561 226</u>	<u>7 807 196</u>	<u>7 117 404</u>	<u>-</u>	<u>51 485 826</u>

21. LEGAL RISK

Legal risk is the risk that the Fund will be exposed to in respect of contractual obligations which have not been provided for. At 31 December 2021 the Fund did not consider there to be any significant concentration of legal risk that had not been provided for.

22. CONTINGENT ASSET

Road Accident Fund (RAF)

The Fund grants assistance to its members in defraying expenditure incurred in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act No. 56 of 1996. If a member is re-imbursed by the RAF, they are legally obliged to cede that payment to the Fund to the extent that they have already been compensated.

Due to the uncertainty over the recoverability of the risk claims lodged by the members with the RAF a contingent asset has arisen to the value of R 8 590 378 (2020: R 11 236 795). The net recoveries from RAF for the year was R 1 230 803 (2020: R 940 567).

23. PROFESSIONAL INDEMNITY AND FIDELITY GUARANTEE INSURANCE

The Fund was covered under a professional indemnity and fidelity guarantee insurance policy throughout the reporting year. The cover amounted to R 80 000 000 as at 31 December 2021 (2020: R 80 000 000).

24. EVENTS AFTER REPORTING DATE

South Africa experienced a fourth wave of infections in December 2021 to February 2022, reaching a peak in January 2022, resulting in a significant number of infections and deaths.

In making their estimates and judgements as at 31 December 2021 (as disclosed in note 20) , the Trustees took into consideration the economic conditions and forecasts as at that date. The Board of Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

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Below are the assessment of each of the Fund's significant balance sheet items:

All of the Fund's investable assets were invested in cash and local capital market instruments and will therefore be largely unaffected by these events.

Allowance for expected credit losses as at 31 December 2021 have been based on incurred events at statement of financial position date. The amount recognised as at 31 December 2021 remains unchanged.

Provision for outstanding claims, as disclosed in note 6 of the annual financial statements, is an estimate of the ultimate costs of settling all claims incurred that have been occurred before the end of the reporting period, but have not been reported to the Fund. Given the fact that the risk claims provision as at 31 December 2021 relates to 2021 and prior, the claims provision remains unchanged.

The Board of Trustees are of the opinion that these events should not have a material impact on the Fund's solvency. This opinion is based on an actuarially sound projection and a conservative set of assumptions, which produced a case scenario impact on the Fund's expected claims expense. These assumptions include allowances for COVID-19 related costs namely pent-up demand and vaccine costs. The worst case scenario indicated an insignificant impact on the Fund's expected claims experience and solvency level. The Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

In addition, the financial reporting impact of COVID-19 will be considered in the 2022 annual financial statements.

There have been no other events that have occurred between the end of the accounting period and the date of the approval of these annual financial statements, other than items listed above, that the Trustees consider should be brought to the attention of the members of the Fund.

25. GOING CONCERN

The Board of Trustees considers the Fund to be a going concern. The Board took the following into consideration in the evaluation of the Fund's going concern status:

- Available cash and investments at the end of the year amounted to R 146 912 481.
- Transnet SOC Ltd will be providing funding to ensure that the SATS risk pool maintains a reserve level of 25%.
- A business plan has been developed by the Trustees, with the assistance of the Fund's actuary, in order to get the Fund to a reserve level of 25%.
- It is expected that the Fund's reserve ratio will decrease from 19.72% at 31 December 2021 to 13.34% at 31 December 2022.
- An actuarial model was developed to assist the Trustees to consider the going concern status of the Fund. Even with the most negative assumptions on membership movements and membership risk profiles, the model indicated that the Fund will be a going concern.

26. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998**26.1 Outstanding contributions****Nature and impact**

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Fund. Per the Fund rules, contributions are required to be received at least three days after their due date. Instances were noted where contributions were received late.

Causes for the failure

The reason for this is due to the inherent nature of the business.

Corrective action

On-going communication to employer groups has occurred. The Fund also applied to the Council for Medical Schemes and obtained an exemption for the three day contribution rule.

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26. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998 (continued)

26,2 Self-supporting options

Nature and impact

In terms of Section 33(2) benefit options shall be self-supporting in terms of membership and financial performance. The Guardian, Select and Prime options recorded deficits for the year ended 31 December 2021.

Causes for the failure

Driven by a combination of high COVID-19 related claims and higher than expected non-COVID-19 related claims, overall claims for 2021 were higher than expected or budgeted for. The Guardian Plan was budgeted to make a loss in order to reduce its reserve levels - the actual loss for the year was substantially below the budgeted loss.

Corrective action

Contributions for the Select and Prime options for 2022 have been increased at a higher percentage than the expected increase in costs. The agreement with Transnet to ensure that the SATS pool reserve levels does not fall below 25%, has been renewed. A Business Plan to get the Fund's reserve levels to 25% has updated.

26,3 Reserve ratio

Nature and impact

In terms of Regulation 29, a medical scheme should have reserves of at least 25% of its gross annual contributions. At 31 December 2021, the Fund had a reserve ratio of 19.72%, which is lower than the required level.

Causes for the failure

The working member and pensioner risk profile deteriorated during the year.

Corrective action

A business plan was developed by the Trustees, with the assistance of the Fund's actuary in order to restore the Fund's reserve levels back to 25%. The Council for Medical Schemes approved the business plan.

26,4 Payment of claims within 30 days

Nature and impact

In terms of Section 59(2) a member or provider claim should be settled within 30 days of submission. Instances were noted during sample testing where settlements took more than 30 days.

Causes of failure

Delays can occur when accounts are referred for clinical audit or other investigations. These are however the exceptions, and claims are generally paid within the prescribed time.

Corrective action

The administrator is aware of the requirements and comply as far as possible. It is however an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.

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27. CHANGE IN THE ACCOUNTING POLICY RELATING TO THE FORMAT OF THE STATEMENT OF CASH FLOWS

During 2021 the Council for Medical Schemes (CMS) published Circular 52 of 2021: *Statement of Cash Flows*. In the circular it was noted that Paragraph 19 of IAS 7 encourage entities to report cash flows from operating activities using the direct method. The Council for Medical Schemes (CMS) introduced the direct method in its 2011 annual statutory return.

The Statement of Cash Flows (SOCF) has been aligned to the prescribed format as set out in Circular 52 of 2021, with the most notable changes being the reporting of cash flows from operating activities using the direct method. The cash flows from operating activities were previously reported using the indirect method.

The change in accounting policy will be applied in preparing the annual financial statements for the year ended 31 December 2021. The change is applied retrospectively, with the comparative period presented as if this accounting policy had always been applied.

Table 1 sets out the change in disclosure of the SOCF.

Table 1: Comparison of Statement of Cash Flows

	2020		2020
	Restated		Previously presented
CASH FLOWS FROM OPERATING ACTIVITIES	R	CASH FLOWS FROM OPERATING ACTIVITIES	R
Cash receipts from members and providers	1 101 385	Cash generated by operations before working capital changes	74 723 763
Cash receipts from members - contributions	699 275 731	WORKING CAPITAL CHANGES	
Cash paid to providers, employees and members - claims	(574 550 201)	Increase in trade and other receivables	(9 894 542)
Cash paid to providers, employees and members - non-healthcare	(57 554 872)	Increase in trade and other payables	5 654 266
		Decrease in outstanding risk claims	(2 211 444)
NET CASH FLOW FROM OPERATING ACTIVITIES	68 272 043	NET CASH FLOW AFTER WORKING CAPITAL CHANGES	68 272 043