



**NOTICE IS HEREBY GIVEN THAT THE FIFTY-FIFTH ANNUAL GENERAL MEETING
OF THE WOOLTRU HEALTHCARE FUND WILL BE HELD VIA A ZOOM CONFERENCE MEETING
ON TUESDAY, 27 JULY 2021 AT 12:00.**

The Zoom link to join will follow in a separate email.

A G E N D A

1. Chairperson's welcome to members
2. To read the Notice convening the Annual General Meeting
3. To adopt the Minutes of the Annual General Meeting held on 26 August 2020
4. To adopt the Report of the Board of Trustees for the year ended 31 December 2020
5. To adopt the Independent Auditor's Report for the year ended 31 December 2020
6. To adopt the Annual Financial Statements for the year ended 31 December 2020
7. To appoint the Auditors for the ensuing year
8. To elect two Member-Elected Trustees
9. To approve the Trustee and Committee Member Remuneration Policy for the 2021 calendar year
10. General

By order of the Board

FRANCOIS DE WIT
PRINCIPAL OFFICER

MINUTES OF THE FIFTY-FOURTH ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD VIA ZOOM VIDEO CONFERENCE ON WEDNESDAY, 26 AUGUST 2020 AT 9:00

- **PRESENT:** 36 members were represented, via Zoom virtually and 68 proxies were received.
- **APOLOGIES:** Mr Thabang Magagula (Member-Elected Trustee).

1. OPENING AND WELCOME

The Chairperson opened the meeting and welcomed those present. Apologies were noted from Mr Thabang Magagula (Member-Elected Trustee).

Words of welcome were extended to the representatives of Momentum Health Solutions (Pty) Ltd (MHS) (the Fund's Administrator). It was noted that an invitation to attend the Fund's Annual General Meeting (AGM) was sent to the Council for Medical Schemes (CMS). The CMS had not responded to the invitation and a representative of the CMS was not in attendance to observe the meeting.

Following a count of members, the Chairperson confirmed that a quorum of a minimum of 30 members, as per the Rules of the Fund, was present and that the meeting was duly constituted.

2. NOTICE OF THE MEETING

The Notice convening the Annual General Meeting, which was confirmed as having been circulated timeously to all members, was taken as read. Members were encouraged to submit any questions that they may have prior to the meeting. Two questions were submitted by members and these would be dealt with under Agenda Item 10. The meeting proceeded as per the published Agenda.

The Chairperson advised that members could direct administration-related queries to Ms Brandes from MHS, who was in attendance at the meeting.

3. CONFIRMATION OF MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 26 JUNE 2019

The Minutes of the Annual General Meeting held on 26 June 2019 were reviewed on a page-by-page basis with no amendments or corrections required.

Ms Mowzer proposed that the Minutes of the 2019 Annual General Meeting be approved and adopted. Mr Thompson seconded the proposal, which was unanimously adopted.

The Minutes of the fifty-third Annual General Meeting, held on 26 June 2019, would be signed by Ms Malander, who chaired the meeting, and the Principal Officer as a true record of the proceedings.

No matters arising from the Minutes of the 2019 Annual General Meeting were raised for further discussion.

4. REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2019

The Annual Report of the Board of Trustees for the year ended 31 December 2019, having been circulated, was taken as read. The Chairperson invited those in attendance to raise any questions or points requiring clarity. No queries were raised.

Ms Wolhuter proposed that the Annual Report of the Board of Trustees be approved and adopted. Ms Malander seconded the proposal, which was unanimously adopted.

5. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2019

The Report of Ernst & Young (E&Y) to the members of the Fund had been circulated prior to the meeting. Ms Wolhuter proposed that the Auditor's Report be adopted, and this was seconded by Mr Thompson.

6. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Annual Financial Statements for the year ended 31 December 2019 were circulated prior to the meeting.

MINUTES OF THE FIFTY-FOURTH ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD VIA ZOOM VIDEO CONFERENCE ON WEDNESDAY, 26 AUGUST 2020 AT 9:00 (CONTINUED)

6. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

The Chairperson highlighted the fact that the outbreak of the coronavirus (COVID-19) during mid-January 2020 had disrupted the global economic markets. In making their estimates and judgements as at 31 December 2019, the Trustees took into consideration the economic conditions and forecasts as at that date. Since the beginning of 2020, due to the volatility of global and local markets, the Fund had been experiencing unrealised losses on investments.

The Chairperson invited members to raise any concerns or queries regarding the Annual Financial Statements. No queries were raised.

The Chairperson expressed appreciation to the Administrator (MHS), the Fund's Auditors (E&Y) and the Audit Committee for the preparation and review of the Annual Financial Statements.

7. APPOINTMENT OF THE AUDITORS FOR THE ENSUING YEAR

The Chairperson confirmed that the Audit Committee had proposed to the Board of Trustees that the Fund review the appointment of E&Y as the External Auditors to the Fund due to the fact that E&Y was no longer able to provide audit services to the Fund.

The Fund called for tender proposals, which had been duly assessed by the Audit Committee, with a recommendation to the Board of Trustees to recommend to the members at the Annual General Meeting that PricewaterhouseCoopers (PwC) be appointed as the External Auditors to the Fund for the financial year ending 31 December 2020.

Mr Thompson proposed the appointment of External Auditors PwC to the Fund for the financial year ending 31 December 2020 be approved and adopted. Ms Mowzer seconded the proposal, which was unanimously adopted.

8. ELECTION OF TRUSTEES

Ms Brandes, the independent Elections Officer who oversaw the elections process, advised that following the resignation of Mr Fred du Plessis an election was required to elect a new Member-Elected Trustee. Members were invited to submit nominations for the election of a Member-Elected Trustee. Twenty-six nominations had been received of which 23 were duly completed and accepted, whereas three were incomplete and had to be discarded. All nominations were for Mr Gavin Teixeira, Divisional Director of Truworths. The nominations were verified and confirmed by KPMG, the Group Internal Auditors for MHS, who issued a confirmation report, to that extent to the Fund.

Members were requested to indicate their approval for the election of Mr Teixeira by a show of hands, with the following results: 93 votes (including proxy votes) were received for Mr Teixeira.

The Chairperson congratulated Mr Teixeira on his election and welcomed him to the Board of Trustees.

9. TRUSTEE REMUNERATION POLICY

The Fund's remuneration policy in respect of Independent Trustees and Committee members, having been circulated, was presented to the meeting.

Ms Malander proposed that the 2020 Remuneration Policy in respect of Trustees and Committee members be approved, adopted and signed. Ms Wolhuter seconded the proposal, which was unanimously adopted.

10. GENERAL

Two members had submitted questions. Both questions related to the Wooltru Healthcare Fund contribution increases for 2021.

MINUTES OF THE FIFTY-FOURTH ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD VIA ZOOM VIDEO CONFERENCE ON WEDNESDAY, 26 AUGUST 2020 AT 9:00 (CONTINUED)

10. GENERAL (CONTINUED)

The Chairperson provided the following feedback:

- The Board of Trustees, when considering annual contribution increases, needed to take various factors into account.
- Part of the annual process, when determining contribution increases, is to review the feedback received from the Fund's Benefits Committee – with representation from both Employers, the Actuaries, the Fund's Medical Advisor, the Principal Officer and the Fund's Administrator.
- The financial wellbeing of the Fund's members and the long-term sustainability of the Fund are always key considerations. During the six months from January 2020 to June 2020, the Fund settled high-cost claims for 56 members to the value of R32,8 million. A number of these claims were related to the birth of premature babies.
- The Board understands the hardship that the employees of both Employers are experiencing and this was certainly one of the key considerations that the Benefits Committee and the Board of Trustees consider during their deliberations.
- A final decision on the contribution increases for 2021 had not yet been taken. The Chairperson assured members that the Board would consider all factors to ensure that the Fund remains financially viable going forward and that it was there for its members in their time of medical need.

The Chairperson thanked members for their attendance and participation in the meeting.

A special word of thanks was expressed to the Board of Trustees for their ongoing commitment and effort, to Mr Francois de Wit, the Principal Officer of the Fund, to Dr Tony Davidson, the Medical Advisor to the Fund, to Mr Gary Scott, the Fund's Actuary and to the Audit Committee members for their work and efforts to ensure that the Annual Financial Statements were correct and submitted timeously.

11. CLOSURE OF MEETING

The Chairperson thanked the members for their attendance and participation in the meeting and declared the meeting closed.

APPROVED AND SIGNED THIS _____ DAY OF _____ 2021

CHAIRPERSON

PRINCIPAL OFFICER

**WOOLTRU HEALTHCARE FUND
ANNUAL REPORT and ANNUAL FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2020**

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**WOOLTRU HEALTHCARE FUND
STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES
for the year ended 31 DECEMBER 2020**

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation, integrity and fair presentation of the Annual Report and Annual Financial Statements of the Wooltru Healthcare Fund (the Fund). The Annual Financial Statements presented on pages 26 to 66 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Schemes Act, 131 of 1998 of South Africa, as amended, and include amounts based on judgements and estimates.

The Trustees consider that in preparing the Annual Financial Statements, they have used 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 for the year and the financial position of the Fund at year-end. The Trustees also prepared the information included in their Annual Report on pages 12 to 25 and are responsible for both its accuracy and its consistency with the Annual Financial Statements.

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

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

The going-concern basis has been adopted in preparing the Annual Financial Statements. The Trustees have no reason to believe that the Fund will not be a going concern in the foreseeable future, based on budgets, forecasts and available cash resources. These Annual Financial Statements support the viability of the Fund.

The Fund's External Auditors, PricewaterhouseCoopers Inc., audited the Annual Financial Statements and are responsible for reporting on the fair presentation of the Financial Statements. Their Report is presented on pages 8 to 11.


The Annual Financial Statements were approved by the Board of Trustees on 22 April 2021 and, according to an extract of the Minutes of the meeting, these are signed on its behalf by:



MR B VAN DER MERWE
CHAIRPERSON



MS S MALANDER
TRUSTEE



MR F DE WIT
PRINCIPAL OFFICER

22 April 2021

**WOOLTRU HEALTHCARE FUND
STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES
for the year ended 31 DECEMBER 2020**

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The Fund is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Fund conducts its affairs according to ethical values. The Trustees of the Fund are appointed or elected by the participating Employers or the members of the Fund respectively. The Trustees recognise the need to conduct the business of the Fund in accordance with the principles of the King Code of Corporate Practices and Conduct.

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the Fund's service providers. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

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

INTERNAL CONTROL

The Administrator, Investment Managers and Actuaries of the Fund maintain internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the Fund's Annual Financial Statements and to safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

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



MR B VAN DER MERWE
CHAIRPERSON



MS S MALANDER
TRUSTEE



MR F DE WIT
PRINCIPAL OFFICER

22 April 2021



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WOOLTRU HEALTHCARE FUND**

Report on the Financial Statements

Opinion

We have audited the Financial Statements of Wooltru Healthcare Fund (the Fund), set out on pages 26 to 66, which comprise the Statement of Financial Position as at 31 December 2020, and the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Funds and Reserves and the Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, these Financial Statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Key Audit Matters

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

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Outstanding claims provision</i></p> <p>The outstanding claims provision of R22,761,952 at year-end, as described in Note 8 to the Financial Statements, is a provision recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end, but that were only reported to the Fund after year-end.</p> <p>The outstanding claims provision is calculated by the Fund's Actuaries and is reviewed by Management and the Audit Committee and recommended to the Board of Trustees for approval.</p> <p>The Fund's Actuaries use an actuarial model, based on the Fund's actual claim development patterns throughout the year, to project the year-end provision. This model applies the Basic Chain Ladder ('BCL') method.</p> | <p>We obtained an understanding from the Fund's Actuaries regarding the process to calculate the outstanding claims provision, which included the design and implementation of controls within the process. The actuarial model applied by the Fund is one that is generally applied within the medical scheme industry.</p> <p>We obtained the actual claims data from the member administration system covering the year ended 31 December 2020. The actual claims data includes the impact of COVID-19 and therefore the impact has been taken into account in the claims patterns in the outstanding claims provision.</p> <p>For a sample of actual claims received by the Fund in the 2020 financial year, we tested the accuracy of the service and process dates. No material inconsistencies were noted.</p> |

*PricewaterhouseCoopers Inc., 5 Silo Square, V&A Waterfront, Cape Town 8002, P O Box 2799, Cape Town 8001
T: +27 (0) 21 529 2000, F: +27 (0) 21 814 2000, www.pwc.co.za*



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WOOLTRU HEALTHCARE FUND (CONTINUED)**

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>The claim service date, processing date and amount are used to derive claim development patterns. These historical patterns are then used to estimate the outstanding claims provision.</p> <p>We identified this to be a matter of most significance to the audit because of the uncertainty in the projected claims pattern. A change in the projected claims pattern can cause a material change to the amount of the provision.</p> | <p>We substantively tested a sample of claims against the relevant Fund Rules and assessed completeness of the claims data.</p> <p>The claims data that was included in the Fund's actuarial model was aligned to the above, actual claims data with no material inconsistencies noted.</p> <p>To assess the reasonableness of the Fund Actuaries' estimation process, we compared the actual claim results in the current year to the prior year provision. Based on our assessment, the estimation process was considered reasonable.</p> <p>We have evaluated management's experts by assessing their competence, capability and objectivity and noted no aspects requiring further consideration. We also obtained the outstanding claims provision report from the Fund's Actuaries and assessed whether the inputs, assumptions, methodology and findings per the report were consistent with our testing above. Based on the results of our assessment, we accepted the inputs, assumptions, methodology and findings as reasonable.</p> <p>We obtained the actual claims run-off report up to 31 March 2021 from the Fund's management. For a sample of claims from the report, we tested the occurrence and accuracy of the claims, as well as the accuracy of the related service dates and we identified no material inconsistencies.</p> <p>We enquired from the Fund's management whether there were delays in processing claims at year-end that could possibly impact the claims run-off pattern after year-end. Management confirmed that there were no such delays.</p> <p>We obtained the treatment pre-authorisations approved prior to year-end from management and selected a sample to assess if any of the selected claims related to a health insurance event before year-end were included in the actual claims run-off report up to 31 March 2021. No material inconsistencies were noted.</p> |

Other Information

The Fund's Trustees are responsible for the other information. The other information comprises the information included in the document titled 'Wooltru Healthcare Fund Annual Report and Annual Financial Statements for the year ended 31 December 2020'. 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WOOLTRU HEALTHCARE FUND (CONTINUED)

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 of South Africa, and for such internal control as the Fund's Trustees determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Fund's Trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to a 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.

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



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WOOLTRU HEALTHCARE FUND (CONTINUED)**

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

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

Non-compliance with Section 33(2) of the Medical Schemes Act of South Africa

The Fund's Comprehensive Option was not self-supporting in terms of financial performance, as disclosed in Note 30.1 to the Financial Statements.

Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. has been the auditor of Wooltru Healthcare Fund for one year.

The engagement partner, Nicolette Jacobs, has been responsible for Wooltru Healthcare Fund's audit for one year.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers Inc.' with a large, stylized 'P' at the beginning.

PricewaterhouseCoopers Inc.

Director: NA Jacobs
Registered Auditor
Cape Town, South Africa

22 April 2021

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 DECEMBER 2020**

The Board of Trustees hereby presents its Report for the year ended 31 December 2020:

Council for Medical Schemes registration number of the Fund: 1293

1. MANAGEMENT

1.1 Board of Trustees

The Council for Medical Schemes approved a five-year term of office for the Fund's Trustees effective 1 April 2017.

The names of the Trustees in office during the year under review are as follows:

Employer-Appointed Trustees

Mr B van der Merwe (Chairperson)
Ms S Malander (Vice-Chairperson)
Ms Z Mowzer
Ms Z Mgolodela
Mr I Thompson

Member-Elected Trustees

| | |
|----------------|-----------------------------|
| Mr J Gillman * | Deceased 18 September 2020 |
| Mr A Hector | |
| Mr S Latta | |
| Mr T Magagula | |
| Mr G Teixeira | Date elected 26 August 2020 |

* A replacement Member-Elected Trustee will be elected at the 2021 Annual General Meeting.

1.2 Principal Officer

Mr F de Wit

Physical address

67 Gazania Street
Welgemoed
7530

Postal address

67 Gazania Street
Welgemoed
7530

Registered office address

Business address

Wooltru Healthcare Fund
Building 6
Parc du Cap
Bellville
7530

Postal address

Wooltru Healthcare Fund
PO Box 15403
Vlaeberg
8018

Country of registration and domicile

South Africa

1.3 Fund Administrator: Momentum Health Solutions (Pty) Ltd

Business address

Parc du Cap
Mispel Road
Bellville
7530

Postal address

PO Box 4313
Cape Town
8000

Company registration number: 1969/16884/07

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
For the year ended 31 December 2020 (continued)**

1. MANAGEMENT (CONTINUED)

1.4 Investment Managers

Sanlam Investment Management (Pty) Ltd

Business address

55 Willie van Schoor Avenue
Tygervalley
Cape Town
7500

Postal address

Private bag X8
Tygervalley
7536

Financial service provider number: 579

Allan Gray Life Ltd

Business address

1 Silo Square
Victoria & Alfred Waterfront
Cape Town
8001

Postal address

PO Box 51318
V&A Waterfront
Cape Town
8002

Financial service provider number: 6663

Coronation Life Assurance Company Ltd (Terminated August 2019)

Business address

Seventh Floor
MontClare Place
C/o Campground and Main Roads
Claremont
7708

Postal address

PO Box 44684
Claremont
7735

Financial service provider number: 548

1.5 Principal participating Employers

Woolworths Holdings Ltd
Truworths International Ltd
Unison Risk Management Alliance (Pty) Ltd (Resigned as a participating employer 31 December 2016.)

1.6 Auditor: PricewaterhouseCoopers Inc.

Business address

5 Silo Square
V&A Waterfront
Cape Town
8001

Postal address

PO Box 2799
Cape Town
8000

1.7 Actuaries and investment advisors: NMG Consultants and Actuaries (Pty) Ltd

Business address

7th Floor, 78 On Edward
Edward Street
Bellville
7536

Postal address

PO Box 3950
Tygervalley
7536

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2020 (continued)**

2. DESCRIPTION OF THE FUND (CONTINUED)

2.1 Terms of registration

The Wooltru Healthcare Fund is a not-for-profit fund registered in terms of the Medical Schemes Act, 131 of 1998 ('the Act'). Membership of the Fund is restricted to current and retired employees of any Employer currently or previously a participating Employer within the former Wooltru Ltd Group of companies. Membership of the Fund is subject to the terms and conditions of employment of the participating Employers.

2.2 Options within the Wooltru Healthcare Fund

The Fund offers three benefit options to members:

- Network (previously known as Core Option)
- Saver (previously known as Plus Option)
- Comprehensive (previously known as Extended Option).

2.3 Risk transfer arrangements

During 2020, the Fund renewed the risk transfer arrangements with Momentum Health Solutions (Pty) Ltd.

The Fund has two risk transfer arrangements in place with Momentum Health Solutions (Pty) Ltd. The first arrangement provides all healthcare benefits for beneficiaries registered on the Network Option via specialist and general practitioner networks, and designated service provider networks for the Saver and Comprehensive Options.

The second arrangement with Momentum Health Solutions (Pty) Ltd provides chronic medication benefits for beneficiaries registered on the Saver and Comprehensive Options.

The administration system has been set up to identify and settle Prescribed Minimum Benefit (PMB) claims based on strict PMB identification criteria. There is acknowledgement that identifying a claim as a PMB is a complex process, given the coding system and supporting information required to identify PMB claims. There are a number of automated and manual review processes that try to identify these claims and there were a small number of claims incorrectly assessed as normal claims.

3. REVIEW OF THE YEAR'S ACTIVITIES

3.1 Operational statistics

| 2020 | Network | Saver | Compre- hensive | Total |
|---|----------------|--------------|----------------------------|--------------|
| Number of members at year-end | 1,809 | 7,429 | 453 | 9,691 |
| Number of beneficiaries at year-end | 2,647 | 14,377 | 823 | 17,847 |
| Average number of members for the year | 1,786 | 7,539 | 458 | 9,783 |
| Average number of beneficiaries for the year | 2,603 | 14,564 | 828 | 17,995 |
| Dependants to member ratio at year-end | 0.46 | 0.94 | 0.82 | 0.84 |
| Average age of beneficiaries for the year | 28.57 | 32.80 | 53.14 | 33.11 |
| Pensioner ratio (%) | 5.47 | 12.65 | 62.03 | 13.62 |
| Average risk contribution per member per month (R) | 1,754 | 2,713 | 5,332 | 2,661 |
| Average risk contribution per beneficiary per month (R) | 1,204 | 1,405 | 2,949 | 1,447 |
| Relevant healthcare expenditure as a percentage of risk contributions (%) | 84.00 | 90.88 | 110.06 | 91.85 |
| Average relevant healthcare expenditure per member per month (R) | 1,474 | 2,466 | 5,868 | 2,444 |

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2020 (continued)**

3. REVIEW OF THE YEAR'S ACTIVITIES (CONTINUED)

3.1 Operational statistics (continued)

| 2020 | Network | Saver | Compre- hensive | Total |
|---|----------------|--------------|----------------------------|--------------|
| Average relevant healthcare expenditure per beneficiary per month (R) | 1,011 | 1,277 | 3,246 | 1,329 |
| Amounts paid to Administrator (R) | 2,671,777 | 21,207,682 | 1,290,937 | 25,170,396 |
| Average administration cost per member per month (R) | | | | 267 |
| Average administration cost per beneficiary per month (R) | | | | 145 |
| Administration cost as a percentage of gross contributions (%) | 10.11 | 8.51 | 4.04 | 8.21 |
| Average managed care expense per member per month (R) | - | 78 | 78 | 64 |
| Average managed care expense per beneficiary per month (R) | - | 40 | 43 | 35 |
| Non-healthcare expenditure as a percentage of gross contributions (%) | 10.17 | 8.54 | 4.05 | 8.24 |
| Accumulated funds per member at 31 December (R) | | | | 21,376 |
| Realised return on investments as a percentage of investments (%) | | | | 4.98 |
| Total return on investments (%) | | | | 3.30 |

| 2019 | Core | Plus | Extended | Total |
|---|-------------|-------------|-----------------|--------------|
| Number of members at year-end | 1,653 | 7,726 | 473 | 9,852 |
| Number of beneficiaries at year-end | 2,368 | 14,998 | 868 | 18,234 |
| Average number of members for the year | 1,535 | 7,817 | 480 | 9,832 |
| Average number of beneficiaries for the year | 2,218 | 15,187 | 881 | 18,286 |
| Dependants to member ratio at year-end | 0.43 | 0.94 | 0.84 | 0.85 |
| Average age of beneficiaries for the year | 28.63 | 31.93 | 52.68 | 32.49 |
| Pensioner ratio (%) | 6.35 | 12.24 | 61.95 | 13.64 |
| Average risk contribution per member per month (R) | 1,630 | 2,524 | 6,582 | 2,582 |
| Average risk contribution per beneficiary per month (R) | 1,128 | 1,299 | 3,585 | 1,388 |
| Relevant healthcare expenditure as a percentage of risk contributions (%) | 82.99 | 92.02 | 115.21 | 94.02 |
| Average relevant healthcare expenditure per member per month (R) | 1,353 | 2,322 | 7,584 | 2,428 |
| Average relevant healthcare expenditure per beneficiary per month (R) | 937 | 1,195 | 4,130 | 1,305 |
| Amounts paid to Administrator (R) | 2,161,893 | 20,942,708 | 1,289,134 | 24,393,735 |
| Average administration cost per member per month (R) | | | | 252 |
| Average administration cost per beneficiary per month (R) | | | | 136 |
| Administration cost as a percentage of gross contributions (%) | 10.00 | 10.65 | 1.62 | 8.21 |
| Average managed care expense per member per month (R) | - | 74 | 74 | 63 |

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2020 (continued)**

3. REVIEW OF THE YEAR'S ACTIVITIES (CONTINUED)

3.1 Operational statistics (continued)

| 2019 | Core | Plus | Extended | Total |
|---|------|-------|----------|--------|
| Average managed care expense per beneficiary per month (R) | - | 38 | 40 | 34 |
| Non-healthcare expenditure as a percentage of gross contributions (%) | 9.92 | 10.59 | 1.61 | 8.17 |
| Accumulated funds per member at 31 December (R) | | | | 20,933 |
| Realised return on investments as a percentage of investments (%) | | | | 6.97 |
| Total return on investments (%) | | | | 6.80 |

3.2 Financial results

The financial results of the Fund are set out in the Annual Financial Statements and the Trustees believe that no further clarification is required.

3.3 Solvency ratio

| | 2020 R | 2019 R |
|--|--------------------|--------------------|
| The solvency ratio is calculated on the following basis: | | |
| General reserve | 207,150,305 | 206,228,020 |
| Total members' funds as per Statement of Financial Position | 207,150,305 | 206,228,020 |
| Cumulative unrealised gain on investments at fair value | - | - |
| Accumulated funds | <u>207,150,305</u> | <u>206,228,020</u> |
| Gross contribution income as per Note 9 of the Annual Financial Statements | 381,866,486 | 362,399,462 |
| Opening unrealised (loss) on investments | (3,415,805) | (2,359,172) |
| Movement of unrealised (loss) on investments | (4,497,260) | (1,056,633) |
| Closing unrealised (loss) on investments | <u>(7,913,065)</u> | <u>(3,415,805)</u> |
| Accumulated funds as a percentage of gross contributions | <u>54.25%</u> | <u>56.91%</u> |

The solvency ratios for both 2020 and 2019 reflected above were calculated using accumulated funds, as required by the Council for Medical Schemes. The minimum solvency ratio required by the Council for Medical Schemes is 25%.

3.4 Reserve accounts

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves on page 28.

There have been no other unusual movements in reserves that the Trustees believe should be brought to the attention of the members of the Fund.

3. REVIEW OF THE YEAR'S ACTIVITIES (CONTINUED)

3.5 Outstanding claims provision

The outstanding claims provision is calculated based on historic claims trends and patterns and the method of calculation is consistent with that of previous years.

Movements in the outstanding claims provision are set out in Note 8 to the Annual Financial Statements.

3.6 Liability adequacy test

Liability adequacy tests are performed to ensure adequacy of insurance payables as at the reporting date. In performing these tests, current estimates of future cash flows under the Fund's insurance payables are used and any deficiency is recognised in the profit or loss.

3.7 Restatement of cash and cash equivalents

The comparative value of the Nedgroup Investments Corporate Money Market Fund has been reclassified from cash and cash equivalents to financial assets at fair value through profit or loss, as it does not meet the definition of cash and cash equivalents. The Statement of Profit and Loss and other Comprehensive Income was unaffected. This restatement had no impact on 2018.

4. INVESTMENT POLICY OF THE FUND

Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd are the Fund's appointed Investment Managers. The Fund invests in compliance with the requirements of the Medical Schemes Act. In December 2009, the Trustees approved an updated investment policy, increasing the maximum allowable effective exposure to equities from 40% to 50% of the Fund's invested assets. As at 31 December 2020, the effective equity exposure of the portfolios managed by Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd amounted to 34.62% and 39.59% respectively, while the combined total effective equity exposure was 37.12% (2019: 34.81%) of the Fund's invested assets.

The investment policy of the Fund is to generate real returns over time, while at the same time substantially protecting the portfolio from downside risk (i.e. capital protection).

The Fund's investment performance objective over any rolling three-year period is to:

- achieve a return after investment management fee of at least the Consumer Price Index (CPI) price plus two percent per annum for those assets required to meet the Fund's liquidity needs;
- achieve a return after investment management fee of at least the CPI price, plus 5% per annum or in excess for those assets not required to meet the Fund's liquidity needs; and
- manage the Fund's investments within a risk constraint that avoids the likelihood of achieving a negative return of more than 5% of the Fund's invested assets in any calendar year.

The Fund's investment strategy is to:

- invest the assets required to meet claim payments and any other obligations the Fund may have in the short term in a cash management portfolio; and
- invest the remainder of the Fund's assets in Medical Schemes Act-compliant investments.

5. ACTUARIAL VALUATION

An actuarial valuation is not required for the Fund due to the short-term nature of the Fund's assets and liabilities. The contribution tables set for the Fund are subject to an annual review by actuaries specialising in healthcare to ensure that the Fund remains in a financially sound position. The review of contributions for the 2020 year was set out in a report dated September 2020 and confirmed that the Fund was in a financially sound position. The report complied with the requirements of the Professional Guidance Note issued by the Actuarial Society of South Africa (APN303 – Advice to South African Medical Schemes on Adequacy of Contributions).

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2020 (continued)**

6. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

At the date of finalisation of the Annual Financial Statements, there was no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the Annual Financial Statements.

6.1 COVID-19

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. Many governments are taking increasingly stringent steps to help contain the spread of the virus, including requiring self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and 'locking down' cities/regions or even entire countries. There has also been a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a significant decline in long-term interest rates in developed economies.

The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President declaring a State of National Disaster on 15 March 2020. On 28 December 2020, the President announced an increase in infection rates. On 3 March 2021, some restrictions were relaxed when the President announced an alert level 1.

The following cumulative COVID-19 information from March 2020 until end of March 2021 was taken into consideration:

| | |
|---|-------------|
| - Total members infected by COVID-19 | 1,025 |
| - Total members recovered from COVID-19 | 993 |
| - Total member deaths from COVID-19 | 25 |
| - Total COVID-19-related claims in Rand | R36,527,189 |

The Board of Trustees will continue to consider the potential impact of the COVID-19 outbreak on significant estimates and judgements going forward.

NMG Consultants and Actuaries (Pty) Ltd performed a COVID-19 impact analysis for the Fund. One of these impacts has been to reduce the face-to-face consultations between our members and their service providers and to increase the use of virtual consultations and at-home treatment. This has improved the cost-effectiveness of delivering healthcare and we want to build on this in 2021 and beyond. No one yet knows whether we will have a third wave of COVID-19 infections in South Africa nor the magnitude of the wave, should it occur. We have used an assumption that South Africa will experience a third wave in the second quarter of 2021 when setting the budget for the Wooltru Healthcare Fund.

There is a race to vaccinate the South African population against COVID-19 and the Government has prioritised how the vaccination programme will be rolled out. We are expecting the bulk of the Fund members to be vaccinated in the third and fourth quarters of 2021. Our best estimate for the cost of the vaccination programme is built into the Fund budget for 2021.

IMPACT OF COVID-19 ON THE STATEMENT OF FINANCIAL POSITION

Provision for doubtful debts as at 31 December 2020 has been based on incurred events at Statement of Financial Position date.

The outstanding claims provision, as disclosed in Note 8, is an estimate of the ultimate costs of settling all claims incurred that have occurred before the end of the reporting period, but have not been reported to the Fund.

The COVID-19 pandemic had a negligible impact on the outstanding claims provision and provision for doubtful debts recognised at the Statement of Financial Position date.

The Board of Trustees are of the opinion that these events, given the existing profile of the Fund membership and the level of reserves held, will not have a material impact on the Fund's solvency. The Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

6. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD (CONTINUED)

6.1 COVID-19 (CONTINUED)

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 the items listed above, that the Trustees consider should be brought to the attention of the members of the Fund.

7. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT 131 OF 1998

The Council for Medical Schemes stipulated, via circular 11 of 2006, that all cases of non-compliance with the Act should be disclosed in the Annual Financial Statements. Refer to Note 30 to the Annual Financial Statements. The following stipulations were not complied with during the year:

7.1 NON-COMPLIANCE FOR WHICH THE FUND HAS NOT RECEIVED EXEMPTION

Section 33(2) of the Act – options not financially sound

Nature and impact

The Council for Medical Schemes has approved the Rules of the Wooltru Healthcare Fund in terms of Section 33(2) of the Medical Schemes Act. As per the submission approved by the Registrar, the Comprehensive Option was in a net deficit position of R4,212,186 (2019: R6,586,819) representing 1.3% (2019: 2.2%) of the aggregated risk contribution income of the Fund.

Cause of failure

The Comprehensive Option is selected by most of the Fund's retired members, as it offers more extensive benefits. The age profile of this option is therefore higher than that of the other options, resulting in higher claims per member than the other options. Its deficit represents 14.4% (2019: 17.4%) of the Comprehensive Option's annual risk contribution income for 2020.

Corrective action

The Trustees continue to review the financial position of the Comprehensive Option and have considered closing it, but this would place a burden on the rest of the Fund and could mean that the Saver Option members, who comprise 77% of the Fund's membership, would have to pay higher contributions in future. It is therefore in the interest of the Saver Option members to keep the Comprehensive Option available. The Trustees are satisfied that, as a whole, the Fund is financially sound.

Regulation 30 Annexure B of the Medical Schemes Act

Nature and impact

Wooltru Healthcare Fund, through a portfolio managed by Sanlam Investment Management (Pty) Ltd, held investments in contravention of Annexure B to Regulation 30 of the Medical Schemes Act as at 31 December 2020. The Fund held investments classified under Section 7(a)(ii) per the Regulation more than the 2.5% threshold specified by the Act, resulting in non-compliance with the aforementioned Regulation.

Cause of failure

The Fund does not have control over the underlying assets of the portfolios, as the investment decisions are made by the appointed Asset Managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund.

Corrective action

Sanlam Investment Management (Pty) Ltd traded out of the instrument responsible for the non-compliance on 22 April 2021.

7. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT, 131 OF 1998 (CONTINUED)

7.1 NON-COMPLIANCE FOR WHICH THE FUND HAS NOT RECEIVED EXEMPTION (CONTINUED)

Section 26(7) of the Act – contributions received after three days of becoming due

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the Rules of the Fund. The Rules state that contributions should be received no more than three days after they become due.

During the 2020 year, there were instances where contributions were received later than three days after the due date. As of 31 December 2020, there was an amount of R22,690 (2019: R67,510) outstanding. This amount represents 0.01% (2019: 0.02%) of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Act.

Cause of failure

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

Corrective action

The Fund continues to communicate to Employer Groups to emphasise the importance of prompt payment.

7.2 NON-COMPLIANCE FOR WHICH THE FUND HAS RECEIVED AN EXEMPTION

Section 35(8) (a) and (c) of the Medical Schemes Act – investments

Nature and impact

Wooltru Healthcare Fund, through Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd, held investments in participating employers, as well as holding companies of medical scheme administrators, as at 31 December 2020. This is in contravention of Section 35(8) (a) and (c) of the Act, as the Fund is not allowed to hold shares in the holding company of an administrator or any participating employer. See Note 8 below for further detail.

Cause of failure

The Fund does not have control over the underlying assets of the portfolios, as the investment decisions are made by the appointed Asset Managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund.

Corrective action

The Fund received an exemption in December 2019 from the Council for Medical Schemes from complying with Section 35(8) (a) and (c), insofar as it relates to investments placed with Asset Managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund. The exemption was granted up until 30 November 2022.

8. INVESTMENTS IN PARTICIPATING EMPLOYERS OF MEMBERS OF THE FUND AND IN MEDICAL SCHEME ADMINISTRATORS

The Wooltru Healthcare Fund, through Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd, held the following investments at fair value in participating employers, as well as in the holding companies of medical scheme administrators at year-end:

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2020 (continued)**

8. INVESTMENTS IN PARTICIPATING EMPLOYERS OF MEMBERS OF THE FUND AND IN MEDICAL SCHEME ADMINISTRATORS (CONTINUED)

| | 2020 | 2019 |
|------------------------------------|------------------|------------------|
| | R | R |
| Discovery Holdings Ltd | 239,970 | 190,950 |
| Liberty Holdings Ltd | 578,293 | 746,118 |
| Momentum Metropolitan Holdings Ltd | 144,356 | 557,253 |
| Sanlam Ltd | 307,796 | - |
| Truworths International Ltd | 48,812 | 59,652 |
| Woolworths Holdings Ltd | 1,265,226 | 1,126,222 |
| | <u>2,584,453</u> | <u>2,680,195</u> |

Refer to Note 24 for detailed disclosure in terms of related parties. The Fund obtained an exemption from Section 35(8) (a) and (c) of the Act and is therefore permitted to hold investments in its participating employers and holding companies of medical fund administrators. Refer to Note 7 above for detailed disclosures in terms of non-compliance with the Medical Schemes Act.

9. AUDIT COMMITTEE

An Audit Committee was established on 12 February 2002, 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 must consist of a minimum of five members of whom two must be members of the Board of Trustees. The majority of the members are not officers of the Fund or its third-party Administrator. The Audit Committee met on four occasions during 2020, as follows:

7 April; 13 August; 27 August; and 29 October.

The Administrator and the External Auditor are invited to attend all Committee meetings. The External Auditor has unrestricted access to the Chairperson of the Committee.

In accordance with the provisions of the Act, the primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the Fund's accounting policies, internal control systems and financial reporting practices. The External Auditor formally reports to the Committee on critical findings arising from the statutory audit of the Fund's Annual Financial Statements.

During the year under review, the Audit Committee comprised:

| | | |
|-----------------|-------------------------------------|-------------------------|
| Mr D Crisp | Chairperson/Independent non-Trustee | |
| Ms K Hofmeyr | Non-Trustee | |
| Ms T Mlotshwa | Independent non-Trustee | Resigned 1 January 2020 |
| Ms Z Mowzer | Trustee | |
| Mr R Oosterbaan | Non-Trustee | |
| Mr I Thompson | Trustee | |

10. INVESTMENT COMMITTEE

An Investment Committee was established during 2005. The Investment Committee meets quarterly and the responsibility of the Committee is to advise the Board of Trustees on investment matters. The Investment Committee must comprise at least four members of whom at least half must be Trustees. The Investment Committee met on four occasions during 2020, as follows:

13 February; 12 May; 4 August; and 13 October.

During the year under review, the Investment Committee comprised:

| | | |
|---------------|--------------------------|--------------------------|
| Ms S Malander | Chairperson/Trustee | |
| Mr I Thompson | Vice-Chairperson/Trustee | |
| Ms M George | Non-Trustee | |
| Mr T Magagula | Trustee | |
| Ms T Mlotshwa | Independent non-Trustee | Resigned 30 January 2020 |

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2020 (continued)**

11. DISPUTES COMMITTEE

A Disputes Committee was established on 23 May 2006 to arbitrate and resolve disputes between members and the Fund. The Disputes Committee consists of three persons who are not Trustees or officers of the Fund in order to ensure independence. The Disputes Committee did not need to meet during 2020.

During the year under review, the Disputes Committee comprised:

| | | |
|-----------------|------------------|---------------------------|
| Ms H Drabbe | Committee member | |
| Mr P Dyini | Committee member | Resigned 30 October 2020 |
| Mr M van Buuren | Committee member | |
| Mr L Motofo | Committee member | Appointed 1 November 2020 |

12. BENEFITS COMMITTEE

A Benefits Committee was established during 2008. The responsibility of the Committee is to review proposed new benefits and benefit changes and make appropriate recommendations to the Board of Trustees. The Benefits Committee also acts as a liaison between the employers and the Fund with regard to proposed benefits. The Benefits Committee met on eight occasions during 2020, as follows:

10 March; 24 April; 12 May; 9 June; 16 July; 4 August; 18 August; and 13 October.

During the year under review, the Benefits Committee comprised:

| | | |
|-----------------|--------------------------|----------------------------|
| Ms S Malander | Chairperson/Trustee | |
| Mr J Gillman | Vice-Chairperson/Trustee | Deceased 18 September 2020 |
| Mr C du Plessis | Non-Trustee | |
| Mr S Latta | Trustee | |
| Ms T Mlotshwa | Independent non-Trustee | Resigned 30 January 2020 |
| Ms A Urquhart | Non-Trustee | |

13. CLINICAL COMMITTEE

A Clinical Committee was established on 29 May 2013 for the purpose of researching, analysing and reviewing matters of clinical importance to the Fund and its beneficiaries. The Committee advises the Board of Trustees on all strategic and operating matters of a clinical nature and assists in monitoring the Fund's compliance with the Medical Schemes Act, as it relates to the clinical aspect of benefits provided by the Fund. The Clinical Committee met on four occasions during 2020, as follows:

30 January; 5 May; 28 July; and 3 November.

During the year under review, the Clinical Committee comprised:

| | |
|---------------|-------------------------------------|
| Dr A Davidson | Chairperson/Medical Advisor |
| Ms A Brandes | Fund Administrator's Representative |
| Mr A Hector | Trustee |
| Dr S Jairam | Fund Administrator's Representative |
| Ms S Malander | Trustee |
| Mr G Scott | Fund Actuaries' Representative |
| Ms J Wolhuter | Operations Manager |

14. EX GRATIA COMMITTEE

An Ex Gratia Committee was established on 29 May 2013 for the purpose of analysing and reviewing requests for financial assistance by members who are faced with sudden, large, unexpected medical costs that are not ordinarily recoverable from the Fund in terms of its benefit structure and which the member is unable to meet without assistance from the Fund. The Committee assists the Board in monitoring the Fund's benefit structure and will make recommendations to the Board where they believe any benefit should be enhanced or amended. The Ex Gratia Committee met once during 2020 on 3 December.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2020 (continued)**

14. EX GRATIA COMMITTEE (CONTINUED)

During the year under review, the Ex Gratia Committee comprised:

| | | |
|-----------------|-------------------------------------|----------------------------|
| Dr A Davidson | Chairperson/Medical Advisor | |
| Ms A Brandes | Fund Administrator's Representative | |
| Mr J Gillman | Trustee | Deceased 18 September 2020 |
| Mr A Hector | Trustee | |
| Mr T Modisi | Fund Actuaries' Representative | |
| Mr D Rambhookan | Fund Administrator's Representative | |
| Ms J Wolhuter | Operations Manager | |

15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE

The following schedule sets out the Board of Trustee and committee meeting attendances. Trustee remuneration is disclosed in Note 13 to the Annual Financial Statements.

| Trustee/Committee Member/Principal Officer Number of meetings for the year | Board meetings | | Audit Committee meetings | | Investment Committee meetings | | Benefits Committee meetings | | Clinical Committee meetings | | Ex Gratia Committee meetings | | Disputes Committee meetings | |
|---|----------------|---|--------------------------|---|-------------------------------|---|-----------------------------|---|-----------------------------|---|------------------------------|---|-----------------------------|---|
| | A | B | A | B | A | B | A | B | A | B | A | B | A | B |
| Trustees | | | | | | | | | | | | | | |
| Mr B van der Merwe (Chairperson) | 5 | 5 | - | - | - | - | - | - | - | - | - | - | - | - |
| Ms S Malander (Vice-Chairperson) | 5 | 4 | - | - | 4 | 3 | 8 | 7 | 4 | 4 | - | - | - | - |
| Mr J Gillman | 4 | 2 | - | - | - | - | 8 | 5 | - | - | - | - | - | - |
| Mr A Hector | 5 | 4 | - | - | - | - | - | - | 4 | 3 | 1 | 1 | - | - |
| Mr S Latta | 5 | 4 | - | - | - | - | 8 | 5 | - | - | - | - | - | - |
| Mr T Magagula | 5 | 4 | - | - | 4 | 4 | - | - | - | - | - | - | - | - |
| Ms Z Mgolodela | 5 | 5 | - | - | - | - | - | - | - | - | - | - | - | - |
| Ms Z Mowzer | 5 | 5 | 4 | 3 | - | - | - | - | - | - | - | - | - | - |
| Mr G Teixeira | 2 | 2 | - | - | - | - | - | - | - | - | - | - | - | - |
| Mr I Thompson | 5 | 5 | 4 | 4 | 4 | 4 | - | - | - | - | - | - | - | - |

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2020 (continued)**

15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE (CONTINUED)

| Trustee/Committee Member/Principal Officer Number of meetings for the year | Board meetings | | Audit Committee meetings | | Investment Committee meetings | | Benefits Committee meetings | | Clinical Committee meetings | | Ex Gratia Committee meetings | | Disputes Committee meetings | |
|---|----------------|---|--------------------------|---|-------------------------------|---|-----------------------------|---|-----------------------------|---|------------------------------|---|-----------------------------|---|
| | 5 | | 4 | | 4 | | 8 | | 4 | | 1 | | 0 | |
| | A | B | A | B | A | B | A | B | A | B | A | B | A | B |
| Principal Officer | | | | | | | | | | | | | | |
| Mr F de Wit | 5 | 5 | 4 | 4 | 4 | 4 | 8 | 8 | 4 | 4 | 1 | 1 | - | - |
| Committee members | | | | | | | | | | | | | | |
| Ms A Brandes Clinical/Ex Gratia | - | - | - | - | - | - | - | - | 4 | 4 | 1 | 1 | - | - |
| Mr D Crisp Audit | - | - | 4 | 4 | - | - | - | - | - | - | - | - | - | - |
| Dr T Davidson Clinical/Ex Gratia | - | - | - | - | - | - | - | - | 4 | 4 | 1 | 1 | - | - |
| Mr C du Plessis Benefits | - | - | - | - | - | - | 8 | 6 | - | - | - | - | - | - |
| Ms M George Investment | - | - | - | - | 4 | 3 | - | - | - | - | - | - | - | - |
| Ms K Hofmeyr Audit | - | - | 4 | 4 | - | - | - | - | - | - | - | - | - | - |
| Dr S Jairam Clinical | - | - | - | - | - | - | - | - | 4 | 4 | - | - | - | - |
| Mr T Modisi Ex Gratia | - | - | - | - | - | - | - | - | - | - | 1 | 1 | - | - |
| Mr R Oosterbaan Audit | - | - | 4 | 3 | - | - | - | - | - | - | - | - | - | - |
| Mr D Rambhookan Ex Gratia | - | - | - | - | - | - | - | - | - | - | 1 | 1 | - | - |
| Mr G Scott Clinical | - | - | - | - | - | - | - | - | 4 | 3 | - | - | - | - |
| Ms A Urquhart Benefits | - | - | - | - | - | - | 8 | 7 | - | - | - | - | - | - |
| Ms J Wolhuter Clinical/Ex Gratia | - | - | - | - | - | - | - | - | 4 | 4 | 1 | 1 | - | - |

A: Total possible number of meetings the Trustee/Committee Member could have attended

B: Actual number of meetings attended

16. MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried out by the Fund is to assume the risk of losses incurred by members and their dependants that arise directly from ill health. As such, the Fund is exposed to the uncertainty surrounding the timing and severity of claims under the Fund's Rules, which constitute the insurance contract. The Fund also has exposure to market risk through its insurance and investment activities.

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management, as well as the monitoring of emerging issues. In addition to this, certain risks are mitigated by entering into risk transfer arrangements, as set out in paragraph 2.3 on page 14.

WOOLTRU HEALTHCARE FUND
STATEMENT OF FINANCIAL POSITION
for the year ended 31 DECEMBER 2020

| | Notes | 2020 R | 2019 R |
|---|----------|--------------------|--------------------|
| ASSETS | | | Restated |
| Non-current assets | | | |
| Financial assets at fair value through profit or loss | 2 and 33 | 107,731,529 | 83,226,714 |
| Current assets | | 147,334,949 | 159,181,015 |
| Financial assets at fair value through profit or loss | 2 and 33 | 121,271,694 | 140,716,413 |
| Trade and other receivables | 3 | 5,051,809 | 4,436,839 |
| Investment of Medical Savings Accounts | 5 | 20,372,775 | 12,385,521 |
| Cash and cash equivalents | 4 and 33 | 638,671 | 1,642,242 |
| Total assets | | <u>255,066,478</u> | <u>242,407,729</u> |
| FUNDS AND LIABILITIES | | | |
| Members' funds | | 207,150,305 | 206,228,020 |
| General reserve | | 207,150,305 | 206,228,020 |
| Current liabilities | | 47,916,173 | 36,179,709 |
| Medical Savings Accounts | 7 | 22,072,808 | 14,028,390 |
| Trade and other payables | 6 | 3,081,413 | 3,420,441 |
| Outstanding claims provision | 8 | 22,761,952 | 18,730,878 |
| Total funds and liabilities | | <u>255,066,478</u> | <u>242,407,729</u> |

WOOLTRU HEALTHCARE FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020

| | Notes | 2020 R | 2019 R |
|--|-------|---------------|---------------|
| Risk contribution income | 9 | 312,374,750 | 304,677,901 |
| Relevant healthcare expenditure | | (286,924,387) | (286,447,398) |
| Net claims incurred | 10 | (282,887,240) | (284,472,222) |
| Risk claims incurred | | (284,102,443) | (287,074,857) |
| Third-party claim recoveries | | 1,215,203 | 2,602,635 |
| Accredited managed healthcare expenses | 11 | (7,466,514) | (7,378,800) |
| Net income on risk transfer arrangements | 12 | 3,429,367 | 5,403,624 |
| Premiums paid on risk transfer arrangements | | (45,915,491) | (39,267,444) |
| Recoveries received on risk transfer arrangements | | 49,344,858 | 44,671,068 |
| Gross healthcare result | | 25,450,363 | 18,230,503 |
| Administration and other expenses | 13 | (31,346,502) | (29,768,598) |
| Movement in the provision for doubtful debts | 14 | (128,102) | 166,217 |
| Net healthcare result | | (6,024,241) | (11,371,878) |
| Other income | | 7,842,563 | 15,835,276 |
| Investment income | 15 | 12,442,919 | 13,714,385 |
| Net realised (losses)/gains on financial assets at fair value through profit or loss | 16 | (103,769) | 3,039,947 |
| Unrealised losses on financial assets at fair value through profit or loss | 2 | (4,497,260) | (1,056,633) |
| Sundry income | 17 | 673 | 137,577 |
| Other expenditure | | (896,037) | (1,040,958) |
| Investment management fees | 18 | (896,037) | (1,040,958) |
| Net surplus for the year | | 922,285 | 3,422,440 |
| Other comprehensive income | | - | - |
| Total comprehensive surplus for the year | | 922,285 | 3,422,440 |

**WOOLTRU HEALTHCARE FUND
STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2020**

| | R |
|--|---|
| | Members' funds/General reserve |
| Balance at 1 January 2019 | 202,805,580 |
| Total comprehensive surplus for the year | 3,422,440 |
| Other comprehensive income | - |
| Balance at 1 January 2020 | <u>206,228,020</u> |
| Total comprehensive surplus for the year | 922,285 |
| Other comprehensive income | - |
| Balance at 31 December 2020 | <u><u>207,150,305</u></u> |

**WOOLTRU HEALTHCARE FUND
STATEMENT OF CASH FLOWS
for the year ended 31 December 2020**

| | Notes | 2020 R | Restated 2019 R |
|--|-----------|---------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Total comprehensive surplus for the year | | 922,285 | 3,422,440 |
| Adjustments for: | | | |
| - interest income on financial assets at fair value through profit or loss | 15 and 33 | (7,380,262) | (9,728,998) |
| - dividend income on financial assets at fair value through profit or loss | 15 | (4,509,900) | (2,303,794) |
| - interest income on cash and cash equivalents | 15 and 33 | (552,757) | (1,681,593) |
| - net realised losses/(gains) on financial assets at fair value through profit or loss | 16 | 103,769 | (3,039,947) |
| - unrealised losses on financial assets at fair value through profit or loss | 2 | 4,497,260 | 1,056,633 |
| - investment management fees | 2 and 18 | 896,037 | 1,040,958 |
| - movement in the provision for doubtful debts | 14 | 128,102 | (166,217) |
| CASH FLOWS UTILISED IN OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES | | (5,895,466) | (11,400,518) |
| WORKING CAPITAL CHANGES | | | |
| (Increase) in net trade and other receivables | | (743,072) | (2,702,628) |
| (Decrease)/Increase in trade and other payables | | (339,028) | 1,072,059 |
| Increase in outstanding claims provision | | 4,031,074 | 3,296,562 |
| (Increase) in investment of Medical Savings Accounts | | (7,987,254) | (5,110,794) |
| Increase in Medical Savings Accounts | | 8,044,418 | 5,358,734 |
| NET CASH UTILISED IN OPERATING ACTIVITIES | | (2,889,328) | (9,486,585) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received on cash and cash equivalents | 15 and 33 | 552,757 | 1,681,593 |
| Additions to financial assets at fair value through profit or loss | 2 and 33 | (343,500,000) | (405,128,208) |
| Disposals of financial assets at fair value through profit or loss | 2 and 33 | 344,833,000 | 374,916,876 |
| NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES | | 1,885,757 | (28,529,739) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (1,003,571) | (38,016,324) |
| Cash and cash equivalents at beginning of the year | | 1,642,242 | 39,658,566 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 4 and 33 | 638,671 | 1,642,242 |

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Fund's Annual Financial Statements, as set out below, are in accordance with International Financial Reporting Standards (IFRS). These policies are consistent with those applied in the previous year, except for changes thereto resulting from the adoption of amendments to accounting standards that became effective during the year.

The Annual Financial Statements comply with International Financial Reporting Standards (IFRS) and the Medical Schemes Act, 131 of 1998 of South Africa.

1.1 Basis of preparation

The Annual Financial Statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB), and the requirements of the Medical Schemes Act, 131 of 1998. They have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss. The presentation and functional currency is the Rand, rounded to the nearest Rand.

The following standards, amendments to standards, improvements and interpretations are relevant, but not yet 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 at which members elect the benefit option for the following year. |

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

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.

1.2 Financial instruments

Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset or financial liability is recognised on the Statement of Financial Position when, and only when, the Fund becomes party to the contractual provisions of the instrument.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Fund classifies its financial instruments at fair value through profit or loss (FVTPL) and financial instruments at amortised cost.

Classification

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. With the exception of non-insurance trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund may initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Non-insurance trade receivables that do not contain a significant financing component, or for which the Fund has applied the practical expedient, are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

The Fund classifies its financial instruments at FVTPL and amortised cost.

Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets at FVTPL are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

This category includes derivative instruments and listed equity investments, which the Fund had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as investment income in the Statement of Profit or Loss and Other Comprehensive Income when the right of payment has been established.

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value of comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line items in the Statement of Profit or Loss and Other Comprehensive Income.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

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. 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 separate line items in the Statement of Profit or Loss and Other Comprehensive Income.

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost include non-insurance trade receivables and cash and cash equivalents in the Statement of Financial Position.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs. The Fund's financial liabilities consist of trade and other payables, Medical Savings Account monies and the outstanding claims provision.

Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition and only if the criteria in IFRS 9 are satisfied. The Fund has not designated any financial liability as at FVTPL.

Financial liabilities at amortised cost

This is the category most relevant to the Fund. These are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the expected interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the expected interest rate. The expected interest rate amortisation is included as finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

The Fund's financial liabilities at amortised cost consist of trade and other payables, Medical Savings Accounts and the outstanding claims provision.

Offsetting of financial instruments

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset carried at amortised cost or a group of financial assets, excluding financial assets at FVTPL, is impaired.

The Fund recognises an allowance for expected credit losses on financial assets. Expected credit losses are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The amount of expected credit losses is updated at each reporting date.

For non-insurance trade receivables, the Fund applies a simplified approach in calculating expected credit losses. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date, which represents the expected credit losses that will result from all possible default events over the expected life of the receivable. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision matrix is initially based on the Fund's historical observed default rates. The Fund will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults in contributions owed to the Fund, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of the financial assets.

The Fund writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss.

The Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent year, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.3 Medical Savings Accounts

Medical Savings Accounts, which are managed by the Fund on behalf of its members, represent savings contributions (which is a deposit component of the insurance contracts) net of any savings claims paid on behalf of members in terms of the Fund's registered Rules.

The deposit component of the insurance contracts has been unbundled, since the Fund can measure the deposit component separately. The deposit component is recognised in accordance with IFRS 9 and is initially measured at fair value and subsequently at amortised cost using the effective interest method. The insurance component is recognised in accordance with IFRS 4.

Unspent savings at year-end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act, 131 of 1998, as amended, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

Advances on savings contributions are covered by the Fund and will be assessed for impairment. Refer to Note 1.2 Impairment of financial assets.

In terms of the Rules of the Fund, the funds that represent Medical Savings Accounts are invested on behalf of members in deposits held at call with banks and the interest earned accrues to the Fund. These monies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

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 as to the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Outstanding claims provision

Outstanding risk claims comprise provisions for the Fund's estimate of the ultimate cost of settling all claims incurred, but not yet reported, at the reporting date. Outstanding risk claims are determined as accurately as possible on the basis of a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim. Estimated co-payments and payments from personal medical savings accounts are deducted in calculating the outstanding risk claims provision.

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

1.5 Insurance contracts

The set of Fund Rules 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, is classified as an insurance contract. The contract issued compensates the Fund's members for healthcare expenses incurred.

Insurance receivables

Insurance receivables are recognised when due and are measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at the fair value, using the EIR method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable with the impairment loss recorded in the Statement of Profit or Loss and Other Comprehensive Income.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.6 Risk contribution income

Gross contributions are brought into account on an accrual basis. Risk contributions represent gross contributions after the deduction of Medical Savings Account contributions. The earned portion of risk contributions received is recognised as revenue. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. Risk contributions are shown before the deduction of any costs.

1.7 Claims

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

Net claims incurred comprise:

Claims submitted and accrued for services rendered during the year, net of discounts, third-party recoveries and recoveries from members for co-payments and Medical Savings Accounts.

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

1.8 Risk transfer arrangements

These are contracts entered into by the Fund with a third-party service provider, being Momentum Health Solutions (Pty) Ltd. Under these contracts the Fund is compensated for losses/claims through the provision of services to members by the service providers. Refer to Note 2.3 on page 14 under the Report of the Board of Trustees for more details.

Contracts entered into by the Fund with third-party service providers under which the Fund is compensated for losses/claims (through the provision of services to members) on one or more contracts issued by the Fund and that meet the classification requirements of insurance contracts, are classified as risk transfer arrangements (reinsurance contracts). Only contracts that give rise to a significant transfer of insurance risk are accounted for as risk transfer arrangements. Risk transfer premiums/fees are recognised as an expense over the indemnity period on a straight-line basis. Where applicable, a portion of risk transfer premiums/fees are treated as pre-payments.

Assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding risk claims provisions and claims reported not yet paid. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the risk claims provisions, claims reported not yet paid, and settled claims associated with the risk transfer arrangement, taking into account the terms of the contract. The amounts recoverable under such contracts are recognised in the same year as the related claim.

Risk transfer premiums (including managed healthcare services) are recognised as an expense over the indemnity period on a straight-line basis.

Claims incurred relating to risk transfer arrangements are calculated on the basis of subsequent settlements and prior year settlement trends.

Risk transfer premiums and benefits reimbursed are presented in surplus or deficit in the Statement of Financial Position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim.

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.8 Risk transfer arrangements (continued)

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

1.9 Liabilities and related assets under liability adequacy test

The liability under the Fund Rules 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 net (deficit)/surplus for the year.

1.10 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. Dividend income is recognised as income when the Fund's right to receive payment is established.

1.11 Taxation

The Fund is registered under the Medical Schemes Act, 131 of 1998. As a result, it falls within the definition of a benefit fund, as defined in Section 1 of the Income Tax Act, and therefore the receipts and accruals of the Fund are exempt from taxation under Section 10(1)(d)(ii) of the Income Tax Act. The Fund is exempt from dividends tax on its dividend income by virtue of Section 64F(1)(f) of the Income Tax Act. The Fund registered as an Employer during 2018 for the purpose of paying over statutory deductions on behalf of employees of the Fund.

1.12 Accredited managed healthcare expenses

These expenses represent internal expenditure and the amount paid or payable to the third party administrators, related parties and other third parties for managing the utilisation, costs and quality of healthcare services rendered to the Fund.

1.13 Reimbursements from the Road Accident Fund (RAF)

The Fund grants assistance to its members in defraying expenditure incurred in connection with rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act 56 of 1996. If the members are reimbursed by the RAF, they are contractually obliged to cede that payment to the Fund to the extent that they have already been compensated.

A reimbursement from the RAF is a possible asset that arises from a claim submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. If an inflow of economic benefits has become probable, the Fund discloses the contingent asset. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the Financial Statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the Financial Statements of the period in which certainty arises. Amounts received in respect of reimbursements from the RAF are recognised as a credit in net claims incurred in the Statement of Profit or Loss and Other Comprehensive Income.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.14 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Fund. Fair values are determined according to the following hierarchy based on the requirements of IFRS 13: 'Fair value measurement':

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as closing prices) or indirectly (i.e. derived from closing prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts, largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires the use of unobservable inputs in the model. A range of reasonably possible alternatives are being assessed for those significant unobservable inputs and determines their impact on the total fair value.
- There is an active market for the Fund's listed equity investments and quoted debt instruments.

1.15 Allocation of income and expenditure to benefit options

Income and expenditure are allocated to benefit options on a direct basis where this is determinable. Where income or expenditure is not directly attributable to a specific benefit option, the income or expense is allocated on the basis of the benefit option's membership proportionate to the Fund's overall membership base.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | | 2020 | 2019 |
|--|-------------|--------------------|--------------------|
| | | R | R |
| | Note | | Restated |
| Fair value at the beginning of the year | | 223,943,127 | 180,082,414 |
| Additions | | 343,500,000 | 405,128,208 |
| Disposals | | (344,833,000) | (374,916,876) |
| Realised (loss)/gain on disposal of financial assets at fair value | | (103,769) | 3,039,947 |
| Unrealised loss on revaluation of financial assets at fair value | | (4,497,260) | (1,056,633) |
| Investment income on financial assets at fair value | | 11,890,162 | 12,032,792 |
| Movement in accrued income | | - | 674,233 |
| Investment management fees | 18 | (896,037) | (1,040,958) |
| Fair value at the end of the year | | <u>229,003,223</u> | <u>223,943,127</u> |
| Total financial assets at fair value through profit or loss: | | | |
| Non-current | | 107,731,529 | 83,226,714 |
| Current | | <u>121,271,694</u> | <u>140,716,413</u> |
| | | <u>229,003,223</u> | <u>223,943,127</u> |
| Financial assets are invested in: | | | |
| Bonds | | 37,381,306 | 43,055,706 |
| Equity | | 70,350,223 | 40,171,008 |
| Money-market instruments | | <u>121,271,694</u> | <u>140,716,413</u> |
| | | <u>229,003,223</u> | <u>223,943,127</u> |

The investments included above are administered by Allan Gray Life Ltd, Sanlam Investment Management (Pty) Ltd, Nedgroup Investments and Ninety One SA. The fair values of these investments are based on market value at the reporting date. Refer to Note 29 and 33.

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

3. TRADE AND OTHER RECEIVABLES

Insurance receivables

| | | |
|---|------------------|------------------|
| Contributions outstanding | 1,895,516 | 1,773,486 |
| Recoveries from members and service providers | 1,040,708 | 671,592 |
| Medical Savings Account advances | 57,528 | 216,156 |
| Less: Provision for doubtful debts | (521,232) | (523,397) |
| - Carrying amount at the beginning of the period | (523,397) | (689,535) |
| - Net decrease in the provision during the period | 2,165 | 166,138 |
| | <u>2,472,520</u> | <u>2,137,837</u> |
| Risk transfer arrangements | | |
| Share of outstanding claims provision | <u>2,497,865</u> | <u>1,988,312</u> |
| | <u>4,970,385</u> | <u>4,126,149</u> |

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

3. TRADE AND OTHER RECEIVABLES (CONTINUED)

| | 2020 | 2019 |
|--|-------------|-------------|
| | R | R |
| Financial receivables * | | |
| Accrued interest | 81,424 | 310,690 |
| - Standard Bank current account | 8,219 | 30,737 |
| - Nedgroup Corporate Money Market Fund | 73,205 | 279,953 |
| | 5,051,809 | 4,436,839 |

* The Fund has assessed the IFRS 9 expected credit losses impact on the financial receivables and concludes that the impact is negligible.

Please refer to Note 29 on page 58 for the Fund's exposure to credit risk.

4. CASH AND CASH EQUIVALENTS

| | | Restated |
|-----------------|---------|-----------------|
| Current account | 638,671 | 1,642,242 |

The average effective interest rate on the current account was 2.54% (2019: 5.08%). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

Current account is held with Standard Bank of South Africa, which had a credit rating of BB- (2019: BB+) as at 31 December 2020 and therefore no expected credit loss was raised. The COVID-19 pandemic will not significantly increase the credit risk of cash and cash equivalents, as the credit rating is forward-looking and takes the expected impact of the COVID-19 pandemic into account. Refer to Note 33.

5. INVESTMENT OF MEDICAL SAVINGS ACCOUNTS

| | | |
|--------------|------------|------------|
| Call account | 20,372,775 | 12,385,521 |
|--------------|------------|------------|

The average interest rate on this call account was 2.65% (2019: 5.08%). In terms of its Rules, interest accrues to the Fund and is therefore not allocated to the members' savings accounts. The mismatch between the Medical Savings Account liability and investment relates to timing differences. These differences cleared after year-end.

6. TRADE AND OTHER PAYABLES

Insurance payables

| | | |
|--|-----------|-----------|
| Savings claims reported not yet paid | 481,908 | 894,916 |
| Amounts owing to members and service providers | 2,217,747 | 1,809,756 |

Financial payables

| | | |
|--------------------------------|-----------|-----------|
| Provision for audit fees | 371,666 | 565,553 |
| Sundry payables and provisions | 10,092 | 150,216 |
| | 3,081,413 | 3,420,441 |

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

7. MEDICAL SAVINGS ACCOUNTS (MSA)

| | 2020 | 2019 |
|---|--------------|--------------|
| | R | R |
| Balance on savings liability at the beginning of the year | 14,028,390 | 8,669,656 |
| Less: Advances on MSA at the beginning of the year | (216,156) | (42,301) |
| Balance on MSA liability at the beginning of the year | 13,812,234 | 8,627,355 |
| Add: | 69,708,529 | 57,940,585 |
| MSA contributions received/receivable for the year | 69,491,736 | 57,721,561 |
| MSA adjustments | 216,793 | 219,024 |
| Less: | (61,505,483) | (52,755,706) |
| Claims paid on behalf of members | (60,585,508) | (52,190,982) |
| Refunds on death or resignations | (919,975) | (564,724) |
| | 22,015,280 | 13,812,234 |
| Add: Advances on MSA at the end of the year | 57,528 | 216,156 |
| MSA balance due to members at the end of the year | 22,072,808 | 14,028,390 |

Medical Savings Accounts were introduced on the Saver Option effective 1 January 2018 and on the Comprehensive Option effective 1 January 2020. In accordance with the Rules of the Fund, the Medical Savings Accounts are underwritten by the Fund. The funds are invested in a call account, the interest of which accrues to the Fund and is therefore not allocated to members.

It is estimated that claims to be paid from MSAs in respect of claims incurred in 2020, but not recorded, will amount to R1,770,306 (2019: R1,118,334) (refer to Note 8). Advances on MSAs are included in accounts receivable (refer to Note 3).

The MSA liability contains a demand feature in terms of Regulation 10 of the Medical Schemes Act that any credit balance on a MSA must be taken as a cash benefit when the member terminates his or her membership of the Fund and then enrolls in another medical scheme without an MSA or does not enrol on another medical scheme.

The mismatch between the MSA liability and investment relates to timing differences. These differences cleared after year-end.

8. OUTSTANDING CLAIMS PROVISION

| | Covered by risk transfer arrangements | Not covered by risk transfer arrangements |
|--|--|--|
| 2020 | | |
| Outstanding claims provision | 2,497,865 | 20,264,087 |
| Provision arising from liability adequacy test | - | - |
| | 2,497,865 | 20,264,087 |
| <i>Analysis of movements in outstanding claims</i> | | |
| Balance at beginning of year | 1,988,312 | 16,742,566 |
| Payments in respect of prior year | (1,988,312) | (17,941,733) |
| Under-provision in respect of prior year | - | (1,199,167) |
| Adjustment for current year | 2,497,865 | 21,463,254 |
| Balance at end of year | 2,497,865 | 20,264,087 |

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

| 8. OUTSTANDING CLAIMS PROVISION (CONTINUED) | Covered by risk transfer arrangements | Not covered by risk transfer arrangements |
|---|--|--|
| 2020 | | |
| <i>Analysis of outstanding claims provision</i> | | |
| Estimated gross claims | - | 22,034,393 |
| Outstanding claims provision relating to risk transfer arrangements | 2,497,865 | - |
| Less: Estimated recoveries from MSA | - | (1,770,306) |
| Balance at end of year | <u>2,497,865</u> | <u>20,264,087</u> |
| | | |
| Total outstanding claims provision at end of year | | <u>22,761,952</u> |
| 2019 | | |
| Outstanding claims provision | 1,988,312 | 16,742,566 |
| Provision arising from liability adequacy test | - | - |
| | <u>1,988,312</u> | <u>16,742,566</u> |
| | | |
| <i>Analysis of movements in outstanding claims</i> | | |
| Balance at beginning of year | 749,391 | 14,684,925 |
| Payments in respect of prior year | (749,391) | (12,504,000) |
| Over-provision in respect of prior year | - | 2,180,925 |
| Adjustment for current year | 1,988,312 | 14,561,641 |
| Balance at end of year | <u>1,988,312</u> | <u>16,742,566</u> |
| | | |
| <i>Analysis of outstanding claims provision</i> | | |
| Estimated gross claims | - | 17,860,900 |
| Outstanding claims provision relating to risk transfer arrangements | 1,988,312 | - |
| Less: Estimated recoveries from MSA | - | (1,118,334) |
| | <u>1,988,312</u> | <u>16,742,566</u> |
| | | |
| Total outstanding claims provision at end of year | | <u>18,730,878</u> |

The provision for outstanding claims (also referred to as claims incurred but not reported [IBNR]) is determined according to the following assumptions and methodologies:

Assumptions and sensitivities

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.

**WOOLTRU HEALTHCARE FUND
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS
 31 December 2020 (continued)**

8. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivities (continued)

Process used to determine the assumptions (continued)

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

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

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

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

Assumptions

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

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

- The 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 assumed percentages of claims outstanding at the end of the period:

| | 2020 | 2019 |
|-------------------------|-------------|-------------|
| Claims outstanding for: | % | % |
| December | 64 | 44 |
| November | 11 | 9 |
| October | 5 | 4 |
| September | 2 | 2 |
| August and prior | 0 | 2 |

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

8. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivities (continued)

Changes in assumptions and sensitivities to changes in key variables

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

An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the Fund's estimation process. The Fund believes that the liability for claims reported in the Statement of Financial Position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions, which could differ when claims arise.

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

The impact of the sensitivity of the assumed percentages is set out below:

| | Change in liability 2020 R | Change in liability 2019 R |
|--|---|---|
| Effect of a 1 percentage point change in all the assumed percentages | 1,299,687 | 1,228,105 |
| Effect of a 2 percentage point change in all the assumed percentages | 2,456,024 | 2,456,210 |
| Effect of a 3 percentage point change in all the assumed percentages | 3,740,228 | 3,684,315 |

Note: An increase in the assumed percentage results in an increase in the liability and vice versa.

9. RISK CONTRIBUTION INCOME

| | 2020 R | 2019 R |
|--|--------------------|--------------------|
| Gross contributions per registered Rules | 381,866,486 | 362,399,462 |
| Less: MSA contributions received/accrued | (69,491,736) | (57,721,561) |
| | <u>312,374,750</u> | <u>304,677,901</u> |

The MSA contributions are received by the Fund in terms of Regulation 10(1) and the Fund's registered Rules and held on behalf of its members. Refer to Note 7 for more detail on how these monies were utilised.

10. NET CLAIMS INCURRED

Claims incurred, excluding claims incurred in respect of risk transfer arrangements

| | | |
|---|--------------------|--------------------|
| Current year claims per registered Rules | 274,387,373 | 280,429,699 |
| Movement in outstanding risk claims provision | 21,463,254 | 14,561,641 |
| - Under/(Over) provision in the prior year | 1,199,167 | (2,180,925) |
| - Provision for the current year | 20,264,087 | 16,742,566 |
| | <u>295,850,627</u> | <u>294,991,340</u> |

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

10. NET CLAIMS INCURRED (CONTINUED)

Claims incurred, excluding claims incurred in respect of risk transfer arrangements (continued)

| | 2020 | 2019 |
|-------------------------------|--------------------|--------------------|
| | R | R |
| Less: | (61,093,042) | (52,587,551) |
| - MSA claims paid | (60,585,508) | (52,190,982) |
| - Discount received on claims | (507,534) | (396,569) |
| | <u>234,757,585</u> | <u>242,403,789</u> |

Claims are paid on behalf of the members from their MSAs in terms of Regulation 10(3) and the Fund's registered Rules. Refer to Note 7 for a breakdown of the movement in these balances.

Claims incurred in respect of risk transfer arrangements

| | | |
|---|-------------------|-------------------|
| Current year claims in respect of risk transfer arrangement | 46,846,993 | 42,682,756 |
| Movement in outstanding risk claims provision | 2,497,865 | 1,988,312 |
| | <u>49,344,858</u> | <u>44,671,068</u> |

Third-party claim recoveries

| | | |
|--|-------------|-------------|
| Recoveries from the Road Accident Fund | (1,215,203) | (2,602,635) |
|--|-------------|-------------|

TOTAL NET CLAIMS INCURRED

| | |
|--------------------|--------------------|
| <u>282,887,240</u> | <u>284,472,222</u> |
|--------------------|--------------------|

11. ACCREDITED MANAGED HEALTHCARE EXPENSES

| | | |
|---------------------------------------|------------------|------------------|
| Designated network provider fees | 895,404 | 885,017 |
| Electronic benefit management | 888,665 | 878,992 |
| HIV programme | 444,814 | 439,556 |
| HomeCare | 477,549 | 471,457 |
| Hospital risk management | 2,344,417 | 2,315,531 |
| Medicine risk management | 1,403,762 | 1,387,401 |
| Oncology management | 310,022 | 306,645 |
| Prescribed minimum benefit management | 701,881 | 694,201 |
| | <u>7,466,514</u> | <u>7,378,800</u> |

12. NET INCOME ON RISK TRANSFER ARRANGEMENTS

| | | |
|---|--------------------|--------------------|
| Premiums paid | | |
| - Momentum Health Solutions (Pty) Ltd (Saver and Comprehensive) | 14,334,167 | 13,518,977 |
| - Momentum Health Solutions (Pty) Ltd (Network) | 31,581,324 | 24,924,433 |
| - Netcare 911 (Pty) Ltd | - | 824,034 |
| | <u>45,915,491</u> | <u>39,267,444</u> |
| Recoveries received | (49,344,858) | (44,671,068) |
| - Momentum Health Solutions (Pty) Ltd (Saver and Comprehensive) | (14,255,623) | (13,593,602) |
| - Momentum Health Solutions (Pty) Ltd (Network) | (35,089,235) | (29,479,564) |
| - Netcare 911 (Pty) Ltd | - | (1,597,902) |
| | <u>(3,429,367)</u> | <u>(5,403,624)</u> |

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

12. NET INCOME ON RISK TRANSFER ARRANGEMENTS (CONTINUED)

Overview of terms and conditions of risk transfer agreements:

The Fund entered into two risk transfer arrangements with Momentum Health Solutions (Pty) Ltd. The first arrangement provides all healthcare benefits for beneficiaries registered on the Network Option via specialist and general practitioner networks.

The second risk transfer arrangement provides chronic medication benefits for beneficiaries registered on the Saver and Comprehensive Options.

The Netcare 911 (Pty) Ltd arrangement was terminated at the end of 2019 and covered emergency evacuation from accident scenes or in case of sudden illness for beneficiaries on all three options.

13. ADMINISTRATION AND OTHER EXPENSES

| | 2020 | 2019 |
|--|-------------------|-------------------|
| | R | R |
| Actuarial and Investment Consulting fees | 1,548,360 | 1,475,220 |
| Administration fees | 25,170,396 | 24,393,735 |
| Audit fees | 555,000 | 567,793 |
| Bank charges | 138,148 | 161,186 |
| Board of Healthcare Funders levies | 137,435 | 130,410 |
| Centre for Diabetes and Endocrinology | 164,983 | 44,783 |
| Council for Medical Schemes levies | 386,752 | 387,109 |
| Debt recovery charges | 13,140 | 12,914 |
| Health quality assessment | 58,264 | 55,490 |
| Hello Doctor | 99,929 | 94,775 |
| Independent committee members' fees | 60,470 | 146,261 |
| Medical Advisor's fees | 670,464 | 638,532 |
| Operations Manager's remuneration | 438,247 | 419,412 |
| Principal Officer's remuneration | 1,764,618 | 983,074 |
| Printing, postage, stationery and communication services | 57,583 | 39,936 |
| Research project | - | 85,675 |
| Seminar and travel expenses (non-Trustees) | 1,149 | 25,783 |
| Trustee liability insurance | 61,400 | 58,500 |
| Trustee remuneration | 20,164 | 48,010 |
| | <u>31,346,502</u> | <u>29,768,598</u> |

14. MOVEMENT IN THE PROVISION FOR DOUBTFUL DEBTS

Trade and other receivables

Contributions at risk of not being collected

| | | |
|--|-------|---------|
| Decrease in provision for doubtful debts | 6,934 | 108,995 |
|--|-------|---------|

Members' and service providers' claim portions at risk of not being collected

| | | |
|---|---------|--------|
| (Increase)/Decrease in provision for doubtful debts | (4,769) | 57,222 |
|---|---------|--------|

Less:

| | | |
|--------------------------------------|-------|---|
| Previous impairment losses recovered | 5,190 | - |
|--------------------------------------|-------|---|

| | | |
|-----------------------|-----------|---|
| Bad debts written off | (135,457) | - |
|-----------------------|-----------|---|

| | | |
|--|------------------|----------------|
| | <u>(128,102)</u> | <u>166,217</u> |
|--|------------------|----------------|

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

15. INVESTMENT INCOME

| | 2020 | 2019 |
|--|-------------------|-------------------|
| | R | R |
| Interest income on financial assets at fair value through profit or loss | 7,380,262 | 9,728,998 |
| Dividend income on financial assets at fair value through profit or loss | 4,509,900 | 2,303,794 |
| Interest income on cash and cash equivalents | 552,757 | 1,681,593 |
| | <u>12,442,919</u> | <u>13,714,385</u> |

16. NET REALISED (LOSSES)/GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | | |
|--|------------------|------------------|
| Realised gains on financial assets at fair value through profit or loss | 223,748 | 3,279,134 |
| Realised losses on financial assets at fair value through profit or loss | (327,517) | (239,187) |
| | <u>(103,769)</u> | <u>3,039,947</u> |

17. SUNDRY INCOME

| | | |
|--|------------|----------------|
| Prescribed stale cheques recognised as sundry income | - | 137,577 |
| Prescribed credit balances recognised as sundry income | 673 | - |
| | <u>673</u> | <u>137,577</u> |

18. INVESTMENT MANAGEMENT FEES

| | | |
|--|----------------|------------------|
| Coronation Life Assurance Company Ltd | - | 185,724 |
| Allan Gray Life Ltd | 502,450 | 774,525 |
| Sanlam Investment Management (Pty) Ltd | 393,587 | 80,709 |
| | <u>896,037</u> | <u>1,040,958</u> |

19. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

At the date of finalisation of the Annual Financial Statements there were no material events that occurred after the reporting date that required adjustments to the amounts recognised in the Annual Financial Statements.

19.1 COVID-19

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. Many governments are taking increasingly stringent steps to help contain the spread of the virus, including requiring self-isolation/quarantine by those potentially affected, implementing social distancing measures and controlling or closing borders and 'locking-down' cities/regions or even entire countries. There has also been a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates and a significant decline in long-term interest rates in developed economies.

The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President declaring a State of National Disaster on 15 March 2020. On 28 December 2020, the President announced an increase in infection rates. On 3 March 2021, some restrictions were relaxed when the President announced an alert level 1.

19. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD (CONTINUED)

19.1 COVID-19 (continued)

The following cumulative COVID-19 information from March 2020 until end of March 2021 was taken into consideration:

| | |
|---|-------------|
| - Total members infected by COVID-19 | 1,025 |
| - Total members recovered from COVID-19 | 993 |
| - Total member deaths from COVID-19 | 25 |
| - Total COVID-19-related claims in Rand | R36,527,189 |

The Board of Trustees will continue to consider the potential impact of the COVID-19 outbreak on significant estimates and judgements going forward.

NMG Consultants and Actuaries (Pty) Ltd performed a COVID-19 impact analysis for the Fund. One of these impacts has been to reduce the face-to-face consultations between our members and their service providers and to increase the use of virtual consultations and at-home treatment. This has improved the cost-effectiveness of delivering healthcare and we want to build on this in 2021 and beyond. No one yet knows whether we will have a third wave of COVID-19 infections in South Africa and the magnitude of the wave, should it occur. We have used an assumption that South Africa will experience a third wave in the second quarter of 2021 when setting the budget for the Wooltru Healthcare Fund.

There is a race to vaccinate the South African population against COVID-19 and the Government has prioritised how the vaccination programme will be rolled out. We are expecting the bulk of the Fund members to be vaccinated in the third and fourth quarters of 2021. Our best estimate for the cost of the vaccination programme is built into the Fund's budget for 2021.

19.2 IMPACT OF COVID-19 ON THE STATEMENT OF FINANCIAL POSITION

Provision for doubtful debts as at 31 December 2020 has been based on incurred events at Statement of Financial Position date.

The outstanding claims provision, as disclosed in Note 8, is an estimate of the ultimate costs of settling all claims incurred that have occurred before the end of the reporting period, but have not been reported to the Fund.

The COVID-19 pandemic had a negligible impact on the outstanding claims provision and provision for doubtful debts recognised at the Statement of Financial Position date.

The Board of Trustees are of the opinion that these events, given the existing profile of the Fund membership and the level of reserves held, will not have a material impact on the Fund's solvency. The Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

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 the items listed above, that the Trustees consider should be brought to the attention of the members of the Fund.

20. CAPITAL ADEQUACY RISK

The solvency ratio at year-end was 54.25% (2019: 56.91%). There are sufficient reserves to provide for adverse variations on present and future experiences.

21. CONTINGENT LIABILITIES

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees and suretyships or the like at 31 December 2020.

WOOLTRU HEALTHCARE FUND
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22. CONTINGENT ASSET

At year-end claims amounting to R2,671,524 (2019: R3,262,961) had been lodged with the Road Accident Fund (RAF) relating to past medical expenses already paid, with the potential recovery value of R1,736,491 (2019: R2,120,925). These recoveries are dependent on finalisation by the RAF and corresponding legal processes which can take a number of years to conclude.

23. SURPLUS/(DEFICIT) PER BENEFIT OPTION

The Fund has three benefit options – Network Option, Saver Option and Comprehensive Option.

The three benefit options were previously known as – Core Option, Plus Option and Extended Option.

| 2020 | NETWORK | SAVER | COMPRE- HENSIVE | TOTAL |
|--|------------------|------------------|----------------------------|----------------|
| | R | R | R | R |
| Risk contribution income | 37,595,715 | 245,477,026 | 29,302,009 | 312,374,750 |
| Relevant healthcare expenditure | (31,581,325) | (223,093,793) | (32,249,269) | (286,924,387) |
| Risk claims incurred | (35,089,236) | (215,622,688) | (33,390,519) | (284,102,443) |
| Third-party claim recoveries | - | 1,145,633 | 69,570 | 1,215,203 |
| Accredited managed healthcare expenses | - | (7,039,356) | (427,158) | (7,466,514) |
| Net income/(expense) on risk transfer arrangements | 3,507,911 | (1,577,382) | 1,498,838 | 3,429,367 |
| Gross healthcare result | 6,014,390 | 22,383,233 | (2,947,260) | 25,450,363 |
| Administration and other expenses | (3,800,867) | (25,965,896) | (1,579,739) | (31,346,502) |
| Movement in the provision for doubtful debts | (23,535) | (98,586) | (5,981) | (128,102) |
| Net healthcare result | 2,189,988 | (3,681,249) | (4,532,980) | (6,024,241) |
| Other income | 1,504,302 | 5,975,521 | 362,740 | 7,842,563 |
| Investment income | 2,262,006 | 9,598,399 | 582,514 | 12,442,919 |
| Net realised losses on financial assets at fair value through profit or loss | (19,081) | (79,908) | (4,780) | (103,769) |
| Unrealised losses on financial assets at fair value through profit or loss | (738,623) | (3,543,643) | (214,994) | (4,497,260) |
| Sundry income | - | 673 | - | 673 |
| Other expenditure | (163,185) | (690,906) | (41,946) | (896,037) |
| Investment management fees | (163,185) | (690,906) | (41,946) | (896,037) |
| Net surplus/(deficit) for the year | 3,531,105 | 1,603,366 | (4,212,186) | 922,285 |

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

23. SURPLUS/(DEFICIT) PER BENEFIT OPTION (CONTINUED)

| 2019 | CORE | PLUS | EXTENDED | TOTAL |
|---|------------------|------------------|--------------------|------------------|
| | R | R | R | R |
| Risk contribution income | 30,032,458 | 236,731,128 | 37,914,315 | 304,677,901 |
| Relevant healthcare expenditure | (24,924,433) | (217,839,991) | (43,682,974) | (286,447,398) |
| Risk claims incurred | (29,642,436) | (212,363,167) | (45,069,254) | (287,074,857) |
| Third-party claim recoveries | - | 2,452,430 | 150,205 | 2,602,635 |
| Accredited managed healthcare expenses | - | (6,952,210) | (426,590) | (7,378,800) |
| Net income/(expense) on risk transfer arrangements | 4,718,003 | (977,044) | 1,662,665 | 5,403,624 |
| Gross healthcare result | 5,108,025 | 18,891,137 | (5,768,659) | 18,230,503 |
| Administration and other expenses | (3,003,327) | (25,214,081) | (1,551,190) | (29,768,598) |
| Movement in the provision for doubtful debts | 24,919 | 133,112 | 8,186 | 166,217 |
| Net healthcare result | 2,129,617 | (6,189,832) | (7,311,663) | (11,371,878) |
| Other income | 2,432,604 | 12,626,990 | 775,682 | 15,835,276 |
| Investment income | 2,130,895 | 10,913,466 | 670,024 | 13,714,385 |
| Net realised gains on financial assets at fair value through profit or loss | 475,549 | 2,416,182 | 148,216 | 3,039,947 |
| Unrealised losses on financial assets at fair value through profit or loss | (196,923) | (810,547) | (49,163) | (1,056,633) |
| Sundry income | 23,083 | 107,889 | 6,605 | 137,577 |
| Other expenditure | (161,771) | (828,349) | (50,838) | (1,040,958) |
| Investment management fees | (161,771) | (828,349) | (50,838) | (1,040,958) |
| Net surplus/(deficit) for the year | 4,400,450 | 5,608,809 | (6,586,819) | 3,422,440 |

All items of income or expenditure that do not relate directly to a specific option are allocated across all options on a proportional basis with reference to membership of each option.

24. RELATED-PARTY TRANSACTIONS

Related-party relationships:

Parties with influence over the Fund

Woolworths Holdings Ltd and Truworths International Ltd have significant influence over the Wooltru Healthcare Fund, as they participate in the Fund's financial and operating policy decisions through Trustee representatives.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

24. RELATED-PARTY TRANSACTIONS (CONTINUED)

Parties with influence over the Fund (continued)

Momentum Health Solutions (Pty) Ltd (Momentum Health Solutions) has significant influence over the Wooltru Healthcare Fund, as it provides financial and operational information on which policy decisions are based. Momentum Health Solutions provides administration services.

NMG Consultants and Actuaries (Pty) Ltd has significant influence over the Wooltru Healthcare Fund, as it consults and advises on various actuarial and strategic issues which guide the Fund's operations, including investment and clinical review matters.

Allan Gray Life Ltd, Coronation Life Assurance Company Limited (terminated August 2019), as well as Sanlam Investment Management (Pty) Ltd (appointed August 2019), has significant influence over the Wooltru Healthcare Fund, as it manages the Fund's investments, which comprise a material portion of the Fund's total assets.

These entities do not have significant influence for the purposes of accounting for associates in terms of International Financial Reporting Standards.

Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund. Key management personnel include the Board of Trustees, the Principal Officer and members of various committees. This disclosure deals with all the Fund's key management personnel, some of whom are compensated by the Fund on a fee or remuneration basis (Principal Officer, Operations Manager and Medical Advisor) and some of whom are compensated on an attendance basis (retired, former full-time employees and independent members of committees). The balance of the Board of Trustees (including the Chairperson) receives no compensation from the Fund, as such Trustees are full-time employees of the participating employers.

No close family members of key management personnel are involved in the management of the Fund.

Transactions with related parties

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

Key management personnel

| | 2020 | 2019 |
|--|------------------|------------------|
| | R | R |
| <i>Compensation</i> | | |
| Principal Officer's salary | 1,764,618 | 983,074 |
| Operations Manager's salary | 438,247 | 419,412 |
| Medical Advisor's fees | 60,470 | 638,532 |
| Trustee remuneration and independent committee members' fees | 161,329 | 194,271 |
| | <u>2,424,664</u> | <u>2,235,289</u> |

Statement of Profit or Loss and Other Comprehensive Income

| | | |
|------------------------------------|---------|---------|
| Risk contributions received | 526,424 | 677,375 |
| Claims incurred | 655,795 | 447,137 |
| Catering fees Woolworths (Pty) Ltd | - | 14,543 |

Statement of Financial Position

| | | |
|---|-----------|-----------|
| Investments in participating employers of members | | |
| Truworths International Ltd | 48,812 | 59,652 |
| Woolworths Holdings Ltd | 1,265,226 | 1,126,222 |
| Principal Officer's remuneration | - | 140,416 |

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

24. RELATED-PARTY TRANSACTIONS (CONTINUED)

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

| Transaction | Nature of transactions and terms and conditions thereof |
|-----------------------------|---|
| Risk contributions received | These constitute the contributions in respect of the related parties as members of the Fund in their individual capacities. All contributions were on the same terms as applicable to the Fund's members. |
| Claims incurred | These constitute amounts claimed by the related parties in their individual capacities as members of the Fund. All claims were paid out in terms of the Rules of the Fund, as applicable to the Fund's members. |

| | 2020 | 2019 |
|---------------------------|-------------|-------------|
| | R | R |
| <i>Other transactions</i> | | |

Transactions with entities that have significant influence over the Fund

Statement of Profit or Loss and Other Comprehensive Income

| | | |
|---|--------------|--------------|
| Administration fees paid to Momentum Health Solutions (Pty) Ltd | 25,170,396 | 24,393,735 |
| Managed healthcare fees and capitation premiums paid to Momentum Health Solutions (Pty) Ltd | 53,382,005 | 45,822,210 |
| Claims recoveries from Momentum Health Solutions (Pty) Ltd | (49,344,858) | (43,073,166) |
| Investment management fees paid to the appointed investment managers | 896,037 | 1,040,958 |
| Actuarial and Investment Consulting fees paid to NMG Consultants and Actuaries (Pty) Ltd | 1,548,360 | 1,475,220 |

Statement of Financial Position

| | | |
|---|---------|---------|
| Investments in the holding company of the Administrator | 144,356 | 557,253 |
|---|---------|---------|

Terms and conditions of the administration agreement

The administration agreement with Momentum Health Solutions (Pty) Ltd is in terms of the Rules of the Fund and the provisions of the Act and in accordance with instructions given by the Trustees of the Fund. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Fund has the right to terminate the agreement on 90 days' notice. Fees are calculated on an arm's length basis on market-related terms.

Terms and conditions of the managed healthcare agreement

The managed healthcare agreement with Momentum Health Solutions (Pty) Ltd is in accordance with instructions given by the Trustees of the Fund. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Fund has the right to terminate the agreement on 90 days' notice. Fees are calculated on an arm's length basis on market-related terms.

Terms and conditions of the Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd contracts

The investment management contracts with Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd are in accordance with instructions given by the Trustees of the Fund. The Fund has the right to terminate the agreements on 30 days' notice. Fees are calculated on an arm's length basis on market-related terms.

24. RELATED-PARTY TRANSACTIONS (CONTINUED)

Other transactions (continued)

Terms and conditions of the actuarial and investment consulting agreement

The actuarial and investment consulting agreement with NMG Consultants and Actuaries (Pty) Ltd is in accordance with instructions given by the Trustees of the Fund. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Fund has the right to terminate the agreement on 90 days' notice. Fees are calculated on an arm's length basis on market-related terms.

25. ACCOUNTING STANDARDS ISSUED, BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's Financial Statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard that relates to 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.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent with insurers. In contrast to the requirements of IFRS 4, which are largely based on the grandfathering previous accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant aspects. The core of IFRS 17 is the general model, supplemented by a:

- specific adaptation for contracts with direct participation features (the variable fee approach)
- simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the Fund also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Fund has not elected the early adoption of the accounting standard.

26. CRITICAL ACCOUNTING JUDGEMENT AND KEY ESTIMATION ASSUMPTIONS

In the process of applying the Fund's accounting policies, the following judgement was made that has a significant effect on the amounts recognised in the Financial Statements.

The assumption used to determine the provision for outstanding claims is a key assumption that has a significant risk of causing a material adjustment to the carrying amounts of liabilities in the next financial year (refer to Note 8). When arriving at this provision it is assumed that the reporting and settlement trend of claims incurred, but not reported, will be similar to that of the previous financial period. The provision is based on percentages derived from the previous financial period, adjusted for changes in assumptions regarding the expected percentages of claims to be settled in respect of each of the four months preceding the financial year-end in the following financial period before the claims become stale.

The Fund applies judgement in assessing the expected credit losses relating to financial assets. Refer to Note 1.2 in the accounting policy for more information on the areas of estimation.

Although the assumption is considered critical, settlements against the provision subsequent to year-end have been monitored and the reasonability of the original provision has been confirmed.

27. INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Fund is to assume the risk of losses incurred by members and their dependants that arise directly from ill health. As such the Fund is exposed to the uncertainty surrounding the timing and severity of claims under the Fund's Rules, which constitute the insurance contract. The Fund also has exposure to market risk through its insurance and investment activities.

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management, as well as the monitoring of emerging issues. Certain risks are mitigated by entering into risk transfer arrangements, as set out in Note 12.

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 and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

27. INSURANCE RISK MANAGEMENT (CONTINUED)

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

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

2020

| Age grouping (in years) | Number of beneficiaries | General practitioners | Specialists | Dentistry | Optometry* | Medicines | Hospital | Other | Total |
|---|--------------------------------|------------------------------|--------------------|------------------|-------------------|------------------|-----------------|--------------|--------------------|
| | | R | R | R | R | R | R | R | R |
| < 25 | 6,121 | 484,736 | 8,429,795 | 106,718 | - | 1,118,587 | 18,781,889 | 2,124,855 | 31,046,580 |
| 25 – 34 | 2,923 | 615,533 | 7,617,802 | 79,913 | - | 1,316,947 | 10,882,228 | 2,198,728 | 22,711,151 |
| 35 – 49 | 5,227 | 1,198,405 | 18,468,210 | 193,236 | - | 5,436,271 | 27,983,150 | 6,674,341 | 59,953,613 |
| 50 – 64 | 2,233 | 561,175 | 12,228,450 | 199,254 | - | 4,010,544 | 17,818,151 | 4,788,563 | 39,606,137 |
| > 64 | 1,343 | 565,055 | 19,198,117 | 118,644 | - | 4,682,536 | 27,702,784 | 6,494,511 | 58,761,647 |
| Momentum Health Solutions (Network Option) | - | 6,313,405 | 2,586,105 | 616,458 | 236,765 | 1,955,856 | 20,334,856 | 753,480 | 32,796,925 |
| Momentum Health Solutions (Saver & Comprehensive Options) | - | - | - | - | - | 14,050,068 | - | - | 14,050,068 |
| | 17,847 | 9,738,309 | 68,528,479 | 1,314,223 | 236,765 | 32,570,809 | 123,503,058 | 23,034,478 | 258,926,121 |
| Movement in outstanding risk claims provision | | | | | | | | | 23,961,119 |
| Total | | | | | | | | | 282,887,240 |

* Optometry benefit was paid from savings in 2020.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

27. INSURANCE RISK MANAGEMENT (CONTINUED)

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

2019

| Age grouping (in years) | Number of beneficiaries | General practitioners | Specialists | Dentistry | Optometry | Medicines | Hospital | Other | Total |
|---|-------------------------|-----------------------|-------------|-----------|-----------|------------|-------------|------------|--------------------|
| | | R | R | R | R | R | R | R | R |
| < 25 | 6,500 | 750,650 | 8,221,886 | 400,903 | 69,065 | 1,125,595 | 18,190,036 | 1,336,585 | 30,094,720 |
| 25 – 34 | 3,516 | 623,428 | 8,776,712 | 111,478 | 1,501 | 1,622,257 | 14,102,997 | 2,088,379 | 27,326,752 |
| 35 – 49 | 4,960 | 1,277,302 | 19,114,945 | 351,032 | 166,177 | 4,818,879 | 32,246,997 | 3,860,458 | 61,835,790 |
| 50 – 64 | 2,006 | 662,979 | 13,514,571 | 549,511 | 308,680 | 3,781,399 | 21,082,381 | 5,772,910 | 45,672,431 |
| > 64 | 1,252 | 755,323 | 18,566,171 | 383,475 | 305,717 | 4,109,331 | 31,261,393 | 4,863,990 | 60,245,400 |
| Momentum Health Solutions (Core Option) | - | 3,922,493 | 1,086,947 | 561,503 | 252,244 | 2,076,639 | 18,008,046 | 1,647,800 | 27,555,672 |
| Momentum Health Solutions (Plus & Extended Options) | - | - | - | - | - | 13,593,602 | - | - | 13,593,602 |
| Netcare 911 | - | - | - | - | - | - | - | 1,597,902 | 1,597,902 |
| | 18,234 | 7,992,175 | 69,281,232 | 2,357,902 | 1,103,384 | 31,127,702 | 134,891,850 | 21,168,024 | 267,922,269 |
| Movement in outstanding risk claims provision | | | | | | | | | 16,549,953 |
| Total | | | | | | | | | 284,472,222 |

The Fund's insurance risk is considered annually in consultation with the Fund's actuaries, Administrator and Medical Advisor and utilises diverse measures to mitigate risk. It 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 benefits to be provided on each option are considered during the process.

Changes to the Fund Rules, which comprise the contract with the member, take place at least annually. Management information, including contribution income and claims ratios by option, is reviewed monthly. There is also an underwriting review process that reviews contracts on an annual basis to ensure adherence to the Fund's objectives.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

27. INSURANCE RISK MANAGEMENT (CONTINUED)

Risk transfer arrangements

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

Claims development

Claims development tables are not presented, since the uncertainty regarding the amount and timing of claims payments is typically resolved within one year.

Insurance risk sensitivity analysis

The Fund is exposed to insurance risk, as the Fund assumes the risk of losses incurred by members and their dependants arising directly from ill health. As such, the Fund is exposed to uncertainty surrounding the timing and severity of claims under the Fund's Rules, which constitute the insurance contract.

The insurance risk sensitivity analysis measures the effect that a change in one of the insurance variables will have on the fair value of the provision for outstanding claims as at the reporting date. The analysis is based on the assumption that a change in a specific variable occurs while all other variables remain constant.

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

The impact of the sensitivity of the assumed percentages is set out below:

| | Change in liability 2020 R | Change in liability 2019 R |
|--|---|---|
| Effect of a 1 percentage point change in all the assumed percentages | 1,299,687 | 1,228,105 |
| Effect of a 2 percentage point change in all the assumed percentages | 2,456,024 | 2,456,210 |
| Effect of a 3 percentage point change in all the assumed percentages | 3,740,228 | 3,684,315 |

Note: An increase in the percentage results in an increase in the liability and vice versa.

The change in the liability will be recognised against claims incurred in the surplus or deficit.

28. CAPITAL MANAGEMENT

The Fund's objective is to manage its capital in such a way that the annual member contribution increase is as low as possible, or at least in line with the participating employers' salary increases, while maintaining an adequate solvency ratio. The Fund uses some of its investment income to fund any possible deficit that might occur as a result of operational losses.

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

The Fund monitors capital using a solvency ratio, which is accumulated funds divided by gross contributions (refer to Note 3.3 in the Report of the Board of Trustees). The Fund uses accumulated funds, excluding cumulative unrealised gains on investments at fair value, as a measure of capital.

The Medical Schemes Act requires the Fund to maintain a solvency ratio of no less than 25%.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

28. CAPITAL MANAGEMENT (CONTINUED)

This measure of capital is consistent with the prior year and there have been no changes in the Fund's objectives, policies and procedures for managing capital during the year.

29. FINANCIAL RISK MANAGEMENT

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

| | 2020 | Restated 2019 |
|---|-------------|--------------------------|
| | R | R |
| Financial assets | | |
| Financial assets at fair value (mandatory at fair value through profit or loss) | 229,003,223 | 223,943,127 |
| Bonds | 37,381,306 | 43,055,706 |
| Equity | 70,350,223 | 40,171,008 |
| Money-market instruments | 121,271,694 | 140,716,413 |
| Amortised cost | 720,095 | 1,952,932 |
| Cash and cash equivalents (mandatory at amortised cost) | 638,671 | 1,642,242 |
| Financial receivables (mandatory at amortised cost) | 81,424 | 310,690 |
| | | |
| Insurance receivables (mandatory at amortised cost) | 4,970,385 | 4,126,149 |
| | | |
| Financial liabilities | | |
| Financial liabilities at amortised cost (mandatory at amortised cost) | 23,143,710 | 19,446,647 |
| Outstanding claims provision | 22,761,952 | 18,730,878 |
| Financial payables | 381,758 | 715,769 |
| Insurance payables (mandatory at amortised cost) | 2,699,655 | 2,704,672 |
| Medical Savings Accounts (mandatory at amortised cost) | 22,072,808 | 14,028,390 |

Risk management

The Fund's activities expose it to a variety of financial risks, including the effects of changes in equity market prices and interest rates. 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.

Risk management and investment decisions are made by the Board of Trustees with the assistance of the Investment Committee. The Investment Committee identifies and evaluates financial risks associated with the Fund's investment portfolio. The Investment Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity. All of these written policies are subject to approval by the Board of Trustees. The financial instruments are classified on a look-through basis for market risk, interest rate risk and equity risk.

Liquidity risk

Liquidity risk is the risk that the Fund may be in a position where it cannot pay claims as they fall due and also pay its suppliers or services providers. This may occur where the Fund's assets are tied up in investments that cannot be readily converted into cash to meet current obligations.

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

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Analysis of carrying amounts of financial assets and financial liabilities per category (continued)

Liquidity risk (continued)

At year-end R64,013,703 (2019: R63,828,038) of the Fund's assets were invested in cash or cash equivalents, as well as money market instruments, to ensure that it can meet its short-term liabilities. The table below illustrates the prudent liquidity profile of the Fund:

| | Up to 1 month | 2 – 3 months | 4 – 12 months | Total |
|------------------------------|----------------------|---------------------|----------------------|-------------------|
| | R | R | R | R |
| 2020 | | | | |
| To satisfy: | | | | |
| Outstanding claims provision | 14,268,933 | 2,548,573 | 5,944,446 | 22,761,952 |
| Medical Savings Accounts | 54,502 | 57,299 | 21,961,007 | 22,072,808 |
| Insurance payables | 2,699,655 | - | - | 2,699,655 |
| Financial payables | 10,092 | 110,000 | 261,666 | 381,758 |
| Total | 17,033,182 | 2,715,872 | 28,167,119 | 47,916,173 |
| 2019 | | | | |
| To satisfy: | | | | |
| Outstanding claims provision | 9,292,696 | 7,694,071 | 1,744,111 | 18,730,878 |
| Medical Savings Accounts | 21,080 | 105,945 | 13,901,365 | 14,028,390 |
| Insurance payables | 2,704,672 | - | - | 2,704,672 |
| Financial payables | 291,603 | 395,888 | 28,278 | 715,769 |
| Total | 12,310,051 | 8,195,904 | 15,673,754 | 36,179,709 |

Credit risk

The Fund's credit risk arises from the risk that its primary debtors will default on their debt by failing to make payments of principal and interest, which they are obligated to make.

Cash and cash equivalents are invested only with high credit-quality financial institutions. Cash is held with Standard Bank of South Africa, which had a credit rating of BB- (2019: BB+) as at 31 December 2020. The Fund invests in pooled investment vehicles with reputable institutions. The investments are highly liquid and can be disinvested at any time. The Fund has a policy of limiting the amount of credit exposure to any one financial institution.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Analysis of carrying amounts of financial assets and financial liabilities per category (continued)

Credit risk (continued)

The table below illustrates the recoverability of the Fund's receivables. This represents the Fund's maximum exposure to credit risk.

| | Fully performing | Past due | Impaired | Total carrying amount |
|---|-------------------------|-----------------|-----------------|------------------------------|
| 2020 | R | R | R | R |
| Insurance receivables | | | | |
| - Contributions outstanding | 1,867,520 | 22,690 | 5,306 | 1,895,516 |
| - Recoveries from members and providers | 502,908 | 21,874 | 515,926 | 1,040,708 |
| - Medical Savings Account advances | 57,528 | - | - | 57,528 |
| - Risk transfer receivables | 2,497,865 | - | - | 2,497,865 |
| Financial assets at fair value through profit or loss | 229,003,223 | - | - | 229,003,223 |
| Cash and cash equivalents | 638,671 | - | - | 638,671 |
| Financial receivables | 81,424 | - | - | 81,424 |
| Total | 234,649,139 | 44,564 | 521,232 | 235,214,935 |

| 2019 | | | | |
|---|--------------------|----------------|----------------|--------------------|
| Insurance receivables | | | | |
| - Contributions outstanding | 1,693,736 | 67,510 | 12,240 | 1,773,486 |
| - Recoveries from members and providers | 26,693 | 133,742 | 511,157 | 671,592 |
| - Medical Savings Account advances | 216,156 | - | - | 216,156 |
| - Risk transfer receivables | 1,988,312 | - | - | 1,988,312 |
| Financial assets at fair value through profit or loss | 223,943,127 | - | - | 223,943,127 |
| Cash and cash equivalents | 1,642,242 | - | - | 1,642,242 |
| Financial receivables | 310,690 | - | - | 310,690 |
| Total | 229,820,956 | 201,252 | 523,397 | 230,545,605 |

Age analysis of past due amounts of receivables that have not been impaired:

| | 30 days | 60 days | 90 days | Total |
|--|----------------|----------------|----------------|---------------|
| 2020 | R | R | R | R |
| - Contributions outstanding | 17,510 | 5,180 | - | 22,690 |
| - Amounts recoverable from members and providers | 3,359 | 4,335 | 14,180 | 21,874 |
| Past due total | 20,869 | 9,515 | 14,180 | 44,564 |

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Analysis of carrying amounts of financial assets and financial liabilities per category (continued)

Credit risk (continued)

| | 30 days | 60 days | 90 days | Total |
|--|----------------|---------------|---------------|----------------|
| | R | R | R | R |
| 2019 | | | | |
| - Contributions outstanding | 34,577 | 17,938 | 14,995 | 67,510 |
| - Amounts recoverable from members and providers | 105,626 | 28,116 | - | 133,742 |
| Past due total | 140,203 | 46,054 | 14,995 | 201,252 |

Market risk

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

Currency risk

The Fund operates in South Africa and therefore its cash flows are denominated in South African Rand (ZAR). The investment managers invest in a foreign collective investment scheme comprising call accounts and unsettled cash balances, which exposes the Fund to foreign currency risk resulting from fluctuations in foreign exchange rates during the year.

For purposes of seeking investment diversification, the Fund has invested 0.44% (2019:7.41%) of its investable assets in an offshore account. As at 31 December 2020, this equates to R1.11m (2019: R17.64m).

Interest rate risk

The Fund may hold all its investments in interest-bearing instruments. Therefore a significant portion of the Fund's investments are exposed to changes in market interest rates. The effective interest rate earned on all interest-bearing instruments in 2020 was 5.98% (2019: 8.29%). The interest earned was from a combination of fixed and floating interest-rate instruments. The floating interest rates are linked to the Johannesburg Interbank Average Rate (Jibar).

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

| | Up to 1 month | 1 – 6 months | 7 – 12 months | More than 1 year | Total |
|----------------------------------|------------------|------------------|------------------|--------------------|--------------------|
| | R | R | R | R | R |
| 2020 | | | | | |
| Financial assets at fair value * | 1,275,679 | 8,523,747 | 6,464,233 | 142,389,342 | 158,653,000 |
| Cash and cash equivalents | 638,671 | - | - | - | 638,671 |
| Total | 1,914,350 | 8,523,747 | 6,464,233 | 142,389,342 | 159,291,671 |

* Equities are excluded, as they are not exposed to changes in market interest rates.

2019

| | | | | | |
|----------------------------------|------------------|-------------------|------------------|--------------------|--------------------|
| Financial assets at fair value * | 4,207,373 | 20,823,401 | 5,150,619 | 153,590,726 | 183,772,119 |
| Cash and cash equivalents | 1,642,242 | - | - | - | 1,642,242 |
| Total | 5,849,615 | 20,823,401 | 5,150,619 | 153,590,726 | 185,414,361 |

* Equities are excluded, as they are not exposed to changes in market interest rates.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Analysis of carrying amounts of financial assets and financial liabilities per category (continued)

Equity price risk

The Fund is directly and indirectly exposed to equity price risk, as it invested funds in South African equities through a pooled and segregated investment portfolio. The Fund's equity portfolio is a long-term investment and the funds invested in this portfolio are not needed in the short or medium term. This mitigates the risk for short-term fluctuations in the equity market. The Fund appointed reputable asset managers with a good track record in terms of performance.

Market-risk sensitivity analysis

Fair value sensitivity analysis

The market-risk sensitivity analysis measures the effect that a change in one market-risk variable will have on the financial asset at fair value through profit or loss as at the reporting date. The analysis is based on the assumption that a change in a specific variable occurs while all other variables remain constant. The market-risk variables include currency value, interest rate and equity price. The tables below illustrate the resulting fair value change with various fluctuations in a specific variable.

The table below indicates the movement on the total pooled investments.

ZAR vs US Dollar currency value sensitivity analysis

| Fair value | 5% strengthening in ZAR | 10% strengthening in ZAR | 20% strengthening in ZAR |
|------------|-------------------------|--------------------------|--------------------------|
| R | R | R | R |

2020

| | | | | |
|--------------------------------|-------------|-------------|-------------|-------------|
| Financial assets at fair value | 229,003,223 | 227,957,682 | 226,912,140 | 224,821,057 |
| Net surplus for the year | 922,285 | (123,256) | (1,168,798) | (3,259,881) |

2019

| | | | | |
|--------------------------------|-------------|-------------|-------------|-------------|
| Financial assets at fair value | 223,943,127 | 222,964,296 | 221,985,465 | 220,027,803 |
| Net surplus for the year | 3,422,440 | 2,443,609 | 1,464,778 | (492,884) |

Interest rate sensitivity analysis

| Fair value | 1% increase in interest rate | 2.5% increase in interest rate | 5% increase in interest rate |
|------------|------------------------------|--------------------------------|------------------------------|
| R | R | R | R |

2020

| | | | | |
|--------------------------------|-------------|-------------|-------------|-------------|
| Financial assets at fair value | 229,003,223 | 226,905,060 | 223,757,816 | 218,512,408 |
| Net surplus for the year | 922,285 | (1,175,878) | (4,323,122) | (9,568,530) |

2019

| | | | | |
|--------------------------------|-------------|-------------|-------------|-------------|
| Financial assets at fair value | 223,943,127 | 222,600,745 | 220,587,173 | 217,231,219 |
| Net surplus for the year | 3,422,440 | 2,080,058 | 66,486 | (3,289,468) |

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market-risk sensitivity analysis (continued)

Equity price sensitivity analysis

| Fair value | 5% decrease in equity market | 10% decrease in equity market | 20% decrease in equity market |
|------------|------------------------------------|-------------------------------------|-------------------------------------|
| R | R | R | R |

2020

| | | | | |
|--------------------------------|-------------|-------------|-------------|--------------|
| Financial assets at fair value | 229,003,223 | 226,007,624 | 223,012,026 | 217,020,829 |
| Net surplus for the year | 922,285 | (2,073,314) | (5,068,912) | (11,060,109) |

2019

| | | | | |
|--------------------------------|-------------|-------------|-------------|-------------|
| Financial assets at fair value | 223,943,127 | 220,950,801 | 217,958,474 | 211,973,822 |
| Net deficit for the year | 3,422,440 | 430,114 | (2,562,213) | (8,546,865) |

The Fund was also indirectly exposed to equity price risk as it dealt in equities. Historically the equity investment strategy was to protect capital by limiting any loss to 5% of exposed capital. This was achieved by hedging exposures with other derivative instruments. The equity price risk was therefore limited by strategic actions by the investment managers. The derivatives below were not held directly by Wooltru Healthcare Fund and the exposure resulted from the funds in which the Fund invested.

| Market exposure | 5% decrease in equity market | 10% decrease in equity market | 20% decrease in equity market |
|-----------------|------------------------------------|-------------------------------------|-------------------------------------|
| R | R | R | R |

2020

| | | | | |
|---------------------------------------|---|---|---|---|
| Derivatives – gross of hedge exposure | - | - | - | - |
| Derivatives – net of hedge exposure | - | - | - | - |

2019

| | | | | |
|---------------------------------------|---------|---------|---------|---------|
| Derivatives – gross of hedge exposure | 280,012 | 266,011 | 252,011 | 224,010 |
| Derivatives – net of hedge exposure | - | - | - | - |

Fair value estimation

The fair value of publicly traded financial instruments is based on quoted market prices at the reporting date.

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

Fair values of financial assets by hierarchy level

The Fund invests in pooled investment vehicles that are made up of equity, bonds and money-market instruments. The table below has been prepared on a look-through basis.

Cash and trade and other receivables are classified as financial instruments at amortised cost.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values of financial assets by hierarchy level (continued)

The Fund has investments designated at Level 2 in the IFRS13 fair value hierarchy. These instruments are all interest-bearing and their fair values are determined as is outlined below:

- Quoted interest-bearing instruments are valued using the yields of benchmark bonds, discounted cash flow models benchmarked against similar instruments with the same issuer, price quotations on the Bond Exchange of South Africa or issue prices of external valuations based on market inputs.
- Unquoted interest-bearing instruments are valued using discounted cash flow models utilising real interest rates or benchmark yields plus/minus a fixed spread or based on deposit rates determined from market inputs.

| 2020 | Level 1 | Level 2 | Level 3 | Re- classification | Total |
|--------------------------------|-------------------|--------------------|----------|-----------------------|--------------------|
| | R | R | R | R | R |
| Financial assets at fair value | | | | | |
| Money-market instruments | - | 121,271,694 | - | - | 121,271,694 |
| Equity instruments | 70,350,223 | - | - | - | 70,350,223 |
| Bonds | - | 37,381,306 | - | - | 37,381,306 |
| | 70,350,223 | 158,653,000 | - | - | 229,003,223 |

| 2019 | Level 1 | Level 2 | Level 3 | Re- classification | Total |
|--------------------------------|-------------------|--------------------|----------|-----------------------|--------------------|
| | R | R | R | R | R |
| Financial assets at fair value | | | | | |
| Money-market instruments | - | 140,716,413 | - | - | 140,716,413 |
| Equity instruments | 40,171,008 | - | - | - | 40,171,008 |
| Bonds | - | 43,055,706 | - | - | 43,055,706 |
| | 40,171,008 | 183,772,119 | - | - | 223,943,127 |

30. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT, 131 OF 1998

The Council for Medical Schemes stipulated, via circular 11 of 2006, that all cases of non-compliance with the Act should be disclosed in the Annual Financial Statements. The following matters are accordingly disclosed:

30.1 NON-COMPLIANCE FOR WHICH THE FUND HAS NOT RECEIVED EXEMPTION

Section 33(2) of the Act – options not financially sound

Nature and impact

The Council for Medical Schemes has approved the Rules of the Wooltru Healthcare Fund in terms of Section 33(2) of the Medical Schemes Act. As per the submission approved by the Registrar, the Comprehensive Option was in a net deficit position of R4,212,186 (2019: R6,586,819) representing 1.3% (2019: 2.2%) of the aggregated risk contribution income of the Fund.

Cause of failure

The Comprehensive Option is selected by most of the Fund's retired members, as it offers more extensive benefits. The age profile of this option is therefore higher than that of the other options, resulting in higher claims per member than the other options. Its deficit represents 14.4% (2019: 17.4%) of the Comprehensive Option's annual risk contribution income for 2020.

30. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT, 131 OF 1998 (CONTINUED)

30.1 NON-COMPLIANCE FOR WHICH THE FUND HAS NOT RECEIVED EXEMPTION (CONTINUED)

Section 33(2) of the Act – options not financially sound (continued)

Corrective action

The Trustees continue to review the financial position of the Comprehensive Option and have considered closing it, but this would place a burden on the rest of the Fund and could mean that the Saver Option members, who comprise 77% of the Fund's membership, would have to pay higher contributions in future. It is therefore in the interest of the Saver Option members to keep the Comprehensive Option available. The Trustees are satisfied that, as a whole, the Fund is financially sound.

Regulation 30 Annexure B of the Medical Schemes Act

Nature and impact

Wooltru Healthcare Fund, through a portfolio managed by Sanlam Investment Management (Pty) Ltd, held investments in contravention of Annexure B to Regulation 30 of the Medical Schemes Act as at 31 December 2020. The Fund held investments classified under Section 7(a)(ii) per the Regulation more than the 2.5% threshold specified by the Act, resulting in non-compliance with the aforementioned Regulation.

Cause of failure

The Fund does not have control over the underlying assets of the portfolios, as the investment decisions are made by the appointed asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund.

Corrective action

Sanlam Investment Management (Pty) Ltd traded out of the instrument responsible for the non-compliance on 22 April 2021.

Section 26(7) of the Act – contributions received after three days of becoming due

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the Rules of the Fund. The Rules state that contributions should be received no more than three days after they become due.

During the 2020 year, there were instances where contributions were received later than three days after the due date. As at 31 December 2020, there was an amount of R22,690 (2019: R67,510) outstanding. This amount represents 0.01% (2019: 0.02%) of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Act.

Cause of failure

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

Corrective action

The Fund continues to communicate to employer groups to emphasise the importance of prompt payment.

30. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT, 131 OF 1998 (CONTINUED)

30.2 NON-COMPLIANCE FOR WHICH THE FUND HAS RECEIVED AN EXEMPTION

Section 35(8) (a) and (c) of the Medical Schemes Act – investments

Nature and impact

Wooltru Healthcare Fund, through Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd, held investments in participating employers, as well as holding companies of medical scheme administrators, as at 31 December 2020. This is in contravention of Section 35(8) (a) and (c) of the Act, as the Fund is not allowed to hold shares in the holding company of an administrator or any participating employer. See Note 8 under the Report of the Board of Trustees for further detail.

Cause of failure

The Fund does not have control over the underlying assets of the portfolios, as the investment decisions are made by the appointed asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund.

Corrective action

The Fund received an exemption in December 2019 from the Council for Medical Schemes from complying with Section 35(8) (a) and (c), insofar as it relates to investments placed with asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund. The exemption was granted up until 30 November 2022.

31. PROFESSIONAL LIABILITY INSURANCE

The Fund, its Trustees and Officers of the Fund were covered under Trustee liability insurance throughout the year ended 31 December 2020. The insurance amounted to R50,000,000 (2019: R50,000,000) for any single claim and R100,000,000 (2019: R100,000,000) in aggregate.

32. GOING CONCERN

The Trustees believe that the Fund has adequate financial resources to continue in operation for the foreseeable future and accordingly the Annual Financial Statements have been prepared on a going-concern basis. The Trustees are satisfied that the Fund is in a sound financial position and will be able to meet its foreseeable cash requirements. The Trustees are not aware of any new material changes that may adversely impact the Fund, except for disclosure made in Note 19.

Other than the items of non-compliance disclosed in Note 30, the Trustees are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Fund.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2020 (continued)

33. RESTATEMENT OF CASH AND CASH EQUIVALENTS

The comparative value of the Nedgroup Investments Corporate Money Market Fund has been reclassified from cash and cash equivalents to financial assets at fair value through profit or loss, as it does not meet the definition of cash and cash equivalents. The Statement of Profit and Loss and Other Comprehensive Income was unaffected. This restatement had no impact on 2018.

The effects of the restatement are as follows:

| 2019 | As previously stated | Change | Restated |
|---|-------------------------------------|---------------|-----------------|
| EXTRACT FROM THE STATEMENT OF FINANCIAL POSITION | | | |
| ASSETS | | | |
| Non-current assets | | | |
| Financial assets at fair value through profit or loss | 66,337,685 | 16,889,029 | 83,226,714 |
| Current assets | | | |
| Financial assets at fair value through profit or loss | 95,419,646 | 45,296,767 | 140,716,413 |
| Cash and cash equivalents | 63,828,038 | (62,185,796) | 1,642,242 |
| 2019 | As previously stated | Change | Restated |
| EXTRACT FROM THE STATEMENT OF CASH FLOWS | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Interest received | 11,410,591 | - | 11,410,591 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to financial assets at fair value through profit or loss | (82,822,208) | (322,306,000) | (405,128,208) |
| Proceeds on disposal of financial assets at fair value through profit or loss | 113,203,876 | 261,713,000 | 374,916,876 |
| Interest received | 3,274,389 | (1,592,796) | 1,681,593 |

**WOOLTRU HEALTHCARE FUND
REMUNERATION POLICY**

1. INTRODUCTION

This document contains the current Wooltru Healthcare Fund (the Fund) remuneration policy in respect of Trustees and Committee members, as agreed by the Board of Trustees.

2. REMUNERATION ELIGIBILITY

Trustees/Committee members, who are full-time employees of the participating employers, receive no remuneration from the Fund.

3. REMUNERATION POLICY

The basic principle of all remuneration paid by the Fund is that remuneration should be fair and reasonable, commensurate with the qualification and experience of the incumbent, the responsibilities carried, the level of care, skill and expertise required and the degree of attentiveness needed, while not being excessive or creating an unnecessary or unwarranted financial burden for the beneficiaries.

Fees are generally increased on 1 January each year in line with the Fund's upcoming financial year's budgeted inflation rate, unless there are specific reasons why the current remuneration basis should be reviewed and amended differently.

The remunerated Trustees/Committee members are expected to prepare for meetings, whether attending or not, and will be expected to remain abreast of the activities and business of the Fund. However, meeting fees will only be payable for meetings which the Trustee/Committee member attends, or as per the agreed-upon terms.

No extra remuneration will be paid for meeting preparation and there will be no ad hoc, time-driven payments made in accordance with hours claimed by individual Trustees/Committee members.

Under exceptional circumstances, reimbursement will be considered for travelling and other direct expenses reasonably and necessarily incurred by the above Trustees/Committee members in performing their duties. Such reimbursements must be agreed in advance by the Board of Trustees. Such reimbursement will not include local travel from a Trustee/Committee member's primary or regular place of residence/business to the Fund's normal meeting venue.

4. REMUNERATION

Current remuneration is outlined in Annexure 1 to this remuneration policy document.

5. REMUNERATION REVIEW

The Board of Trustees will review the remuneration policy annually or more regularly should circumstances so demand.

6. ANNUAL GENERAL MEETING

The Fund's current remuneration policy will be tabled for approval at each Annual General Meeting of the Fund.

Signed on behalf of the Wooltru Healthcare Fund's Board of Trustees at the Annual General Meeting held on 27 July 2021.

Chairperson of the Board of Trustees

Trustee

**WOOLTRU HEALTHCARE FUND
REMUNERATION POLICY (CONTINUED)**

ANNEXURE 1

2021 CALENDAR YEAR: REMUNERATION STRUCTURE FOR INDEPENDENT TRUSTEE/COMMITTEE MEMBERS

Fees are based on a fixed fee per meeting attended or as per the agreed-upon terms. These fees are set at scales based upon the expected number and duration of all meetings attended, the preparation time required for such meetings and various related ad hoc duties. This fee covers all services provided to the Fund and no other fees are payable unless specifically agreed to in advance by the Board of Trustees:

| Category | Agreed-upon fee structure |
|---|----------------------------------|
| Member-elected Trustee (not a full-time employee) | R10 450 per meeting |
| Independent Chairperson – Audit Committee | R12 530 per meeting |

Signed on behalf of the Wooltru Healthcare Fund’s Board of Trustees at the Annual General Meeting held on 27 July 2021.

Chairperson of the Board of Trustees

Trustee

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