



NOTICE IS HEREBY GIVEN THAT THE FIFTY-SIXTH ANNUAL GENERAL MEETING OF THE WOOLTRU HEALTHCARE FUND WILL BE HELD VIA A ZOOM CONFERENCE MEETING ON WEDNESDAY, 27 JULY 2022 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 27 July 2021
4. To adopt the Report of the Board of Trustees for the year ended 31 December 2021
5. To adopt the Independent Auditor's Report for the year ended 31 December 2021
6. To adopt the Annual Financial Statements for the year ended 31 December 2021
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 2022 calendar year
10. General

By order of the Board

FRANCOIS DE WIT
PRINCIPAL OFFICER

MINUTES OF THE FIFTY-FIFTH ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD VIA ZOOM VIDEO CONFERENCE ON TUESDAY, 27 JULY 2021 AT 12:00

- **PRESENT:** 35 members were present in person via Zoom virtually and 20 proxies were received.
- **APOLOGIES:** None

1. OPENING AND WELCOME

The Chairperson opened the meeting and welcomed those present. No apologies were noted.

Words of welcome were extended to all attendees and a warm welcome was extended to the CMS representative, Ms Bontle Tshele.

Following a count of members, the Chairperson confirmed that a quorum (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. The meeting proceeded as per the published Agenda.

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

3. CONFIRMATION OF MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 26 AUGUST 2020

The Minutes of the Annual General Meeting held on 26 August 2020 were noted and there were no amendments or corrections required.

Ms Wolhuter proposed that the Minutes of the 2020 Annual General Meeting be approved and adopted. Mr Thompson seconded the proposal, which was then unanimously adopted.

The Minutes of the fifty-fourth Annual General Meeting, held on 26 August 2020, will be signed electronically by Mr van der Merwe who chaired the meeting and the Principal Officer as a true record of the proceedings.

No matters arising from the minutes of the 2020 Annual General Meeting were raised for further discussion.

4. REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2020

The Annual Report of the Board of Trustees for the year ended 31 December 2020, having been circulated, was taken as read. The Chairperson invited those in attendance to raise any questions or points requiring clarity. No queries were raised.

As proposed by Ms Malander and seconded by Ms Mowzer, the Annual Report of the Board of Trustees was duly adopted.

5. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2020

The Report of PricewaterhouseCoopers (PwC) to the members of the Fund had been circulated prior to the meeting. Mr Thompson proposed that the Auditor's Report be adopted and the proposal was seconded by Ms Wolhuter.

6. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Annual Financial Statements for the year ended 31 December 2020 were circulated prior to the meeting and taken as read.

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 (PwC) and the Audit Committee for the preparation and review of the Annual Financial Statements.

MINUTES OF THE FIFTY-FIFTH ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD VIA ZOOM VIDEO CONFERENCE ON TUESDAY, 27 JULY 2021 AT 12:00 (CONTINUED)

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 renew the appointment of PricewaterhouseCoopers (PwC) as the external auditors to the Fund for the financial year ending 31 December 2021.

Mr Thompson proposed that the appointment of PwC as the External Auditors to the Fund for the financial year ending 31 December 2021 be approved and adopted. Ms Wolhuter seconded the proposal, which was unanimously adopted.

8. ELECTION OF TRUSTEES

Ms Brandes, the independent Elections Officer who oversaw the elections process, advised of the following member-elected Trustee vacancies: Mr Jonathan Gillman, who sadly passed away and the resignation of Mr Thabang Magagula.

Members were invited to submit nominations for the election of two new member-elected Trustees to fill the vacancies. Three nominations had been received.

The three nominations were for Mr Glenn Fergus, Ms Thamsyn Goldstein and Ms Belinda Wata. A short CV of each of the candidates were circulated to all members.

The Elections Officer thanked all three nominees for their willingness to stand for election. She informed the meeting that she had received 20 proxies that she would add to the totals of the electronic voting results shown on the screen following the poll.

Members were requested to cast their vote by indicating their selection of the two Trustees that they vote for by a poll displayed on the screen, with the following results:

37 votes (including proxy votes) were received for Mr Glenn Fergus
34 votes (including proxy votes) were received for Ms Belinda Wata
18 votes (no proxies received) were received for Ms Thamsyn Goldstein

The Elections Officer announced the results.

The Chairperson congratulated Mr Fergus and Ms Wata on their election and welcomed them 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 2021 Remuneration Policy in respect of Trustees and Committee Members be approved, adopted and electronically signed. Mr Thompson seconded the proposal, which was unanimously adopted.

10. GENERAL

Two members submitted questions prior to the meeting. Both questions raised related to benefits, one for dentures and one for contact lenses.

The Chairperson informed the meeting that these questions have been referred to the Benefits Sub-Committee for discussion and review.

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 Ms Alison Brandes and the Momentum Team for their ongoing support, Dr Tony Davidson, the Medical Advisor to the Fund, to Mr Gary Scott (Fund Actuary) and to the Audit Committee members for their work and effort to ensure that the Annual Financial Statements were correct and submitted timeously.

MINUTES OF THE FIFTY-FIFTH ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD VIA ZOOM VIDEO CONFERENCE ON TUESDAY, 27 JULY 2021 AT 12:00 (CONTINUED)

10. GENERAL (CONTINUED)

The Principal Officer thanked the representative from the Council for Medical Schemes for her attendance and asked if there was anything that she would like to share with the members attending the meeting. Ms Tshele advised that there was nothing in particular that she wanted to share.

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 _____ 2022.

CHAIRPERSON

PRINCIPAL OFFICER

**WOOLTRU HEALTHCARE FUND
ANNUAL REPORT and ANNUAL FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2021**

Contents	Page
Statement of Responsibility by the Board of Trustees	6
Statement of Corporate Governance by the Board of Trustees	7
Independent Auditor's Report	8 – 11
Report of the Board of Trustees	12 – 23
Statement of Financial Position	24
Statement of Profit or Loss and Other Comprehensive Income	25
Statement of Changes in Funds and Reserves	26
Statement of Cash Flows	27
Notes to the Annual Financial Statements	28 – 64
Remuneration Policy	65 – 66

**WOOLTRU HEALTHCARE FUND
STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES
for the year ended 31 DECEMBER 2021**

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 24 to 64 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 23 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 is responsible for reporting on the fair presentation of the Financial Statements. Their Report is presented on pages 8 to 11.

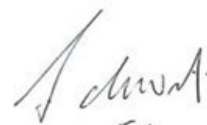
The Annual Report and Annual Financial Statements were authorised for issue as well as approved by the Board of Trustees on 21 April 2022 and, according to an extract of the Minutes of the meeting, these are signed on its behalf by:



MR B VAN DER MERWE
CHAIRPERSON



MS S MALANDER
TRUSTEE



MR F DE WIT
PRINCIPAL OFFICER

21 April 2022

**WOOLTRU HEALTHCARE FUND
STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES
for the year ended 31 DECEMBER 2021**

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

21 April 2022



**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 24 to 64, which comprise the Statement of Financial Position as at 31 December 2021, 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 2021, 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 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 R19,459,993 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 which is reviewed by management and the Audit Committee and recommended to the Board of Trustees for approval.</p>	<p>We obtained an understanding from the Fund's Actuaries regarding the process followed in calculating the outstanding claims provision, which included the design and implementation of controls within the process. The actuarial method 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 2021. The actual claims data reflects the most recent claims patterns, including the impact of COVID-19, and is taken into account in calculating the outstanding claims provision.</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

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



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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<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>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 could cause a material change to the amount of the provision.</p>	<p>We assessed the completeness of the claims data on the member administration system by understanding management's controls and selecting claim transactions from the claim source and agreeing these to the member administration system. No material inconsistencies were noted.</p> <p>We substantively tested a sample of claims received by the Fund in the 2021 financial year, selected from the member administration system, and confirmed the accuracy of the service and process dates and the validity of the claim against the relevant Fund Rules. No material inconsistencies were noted.</p> <p>We assessed the completeness of the claims data in the Fund's actuarial model by understanding management's controls and testing the reconciliation between the claims data per the member administration system and the claims data per the actuarial model. No material inconsistencies were 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. We noted no matters for further consideration with respect to the estimation process.</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 performed the following procedures to assess the adequacy of the outstanding claims provision:</p> <ul style="list-style-type: none"> • We obtained the actual claims run-off report up to 31 March 2022 from the Fund's Administrator and compared the claims paid post year-end to the outstanding claims provision at year-end as part of subsequent event procedures. No material inconsistencies were noted. • For a sample of claims from the claims run-off report, we tested the occurrence and accuracy of the claims as well as the accuracy of the related service dates by agreeing the claims to underlying supporting documents on the policy administration system and we identified no material inconsistencies. • We inquired from the Fund's Administrator whether there were delays in processing claims at year-end that could possibly impact the claims run-off pattern subsequent to year-end. No such delays were identified.



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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> We obtained a list of pre-authorisations approved prior to year-end from the Administrator. For a sample of pre-authorisations with a service date before year-end, we requested the related claim documentation and assessed if the related claim had been included correctly in the claims run-off report up to 31 March 2022. No material inconsistencies were noted.

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 2021". The other information does not include the Financial Statements and our Auditor's Report thereon.

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Fund's Trustees for the Financial Statements

The Fund's Trustees are responsible for the preparation and fair presentation of the Financial Statements, in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act 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 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.



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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

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:

1. *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 31.1 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 two years.

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

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: NA Jacobs
Registered Auditor
Cape Town, South-Africa
21 April 2022

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021**

The Board of Trustees hereby presents its Report for the year ended 31 December 2021:

Council for Medical Schemes registration number of the Fund: 1293

1. MANAGEMENT

1.1 Board of Trustees

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 Mgolodela
Ms Z Mowzer
Mr I Thompson

Member-elected Trustees

Mr G Fergus	Elected AGM 2021
Mr A Hector	
Mr S Latta	
Mr T Magagula	Resigned 30 April 2021
Mr G Teixeira	
Ms B Wata	Elected AGM 2021

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

1.4 Investment Managers

Sanlam Investment Management (Pty) Ltd

Business address

55 Willie van Schoor Avenue
Bellville
7530

Postal address

Private Bag X8
Tygervalley
7536

Financial service provider number: 579

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

1. MANAGEMENT (CONTINUED)

1.4 Investment Managers (continued)

Allan Gray Life Ltd

Business address

1 Silo Square
V&A Waterfront
Cape Town
8001

Postal address

PO Box 51318
V&A Waterfront
Cape Town
8002

Financial service provider number: 6663

1.5 Principal participating Employers

Woolworths Holdings Ltd
Truworths International Ltd

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
7530

Postal address

PO Box 3950
Tygervalley
7536

2. DESCRIPTION OF THE FUND

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 Option
- Saver Option
- Comprehensive Option

2.3 Risk transfer arrangements

During 2021, 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 Prescribed Minimum Benefit chronic medication benefits for beneficiaries registered on the Saver and Comprehensive Options.

The second arrangement provides all healthcare benefits for beneficiaries registered on the Network Option.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

3. REVIEW OF THE YEAR'S ACTIVITIES

3.1 Operational activities

2021	Network Option	Saver Option	Comprehensive Option	Total
Number of members at year-end	2,041	7,098	422	9,561
Number of beneficiaries at year-end	3,024	13,671	745	17,440
Average number of members for the year	1,951	7,202	431	9,584
Average number of beneficiaries for the year	2,895	13,928	764	17,587
Dependants to member ratio at year-end	0.48	0.93	0.77	0.82
Average age of beneficiaries for the year	28.73	33.65	54.82	33.70
Pensioner ratio (%)	4.95	13.40	64.69	13.86
Average risk contribution per member per month (R)	1,877	2,895	5,758	2,816
Average risk contribution per beneficiary per month (R)	1,265	1,497	3,249	1,535
Relevant healthcare expenditure as a percentage of risk contributions (%)	83.00	95.49	113.08	95.41
Average relevant healthcare expenditure per member per month (R)	1,558	2,764	6,512	2,687
Average relevant healthcare expenditure per beneficiary per month (R)	1,050	1,429	3,674	1,464
Amounts paid to Administrator (R)	2,966,991	20,723,319	1,243,370	24,933,680
Average administration cost per member per month (R)	-	-	-	272
Average administration cost per beneficiary per month (R)	-	-	-	148
Administration cost as a percentage of gross contributions (%)	9.70	8.35	3.91	8.06
Average managed care expense per member per month (R)	-	80	80	63
Average managed care expense per beneficiary per month (R)	-	41	45	35
Non-healthcare expenditure as a percentage of gross contributions (%)	9.75	8.38	3.92	8.09
Accumulated funds per member at 31 December (R)	-	-	-	21,716
Realised return on investments as a percentage of investments (%)	-	-	-	3.95
Total return on investments (%)	-	-	-	12.91

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

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

3.1 Operational activities (continued)

2020	Network Option	Saver Option	Comprehensive Option	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
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

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.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

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

3.3 Solvency ratio

	2021	2020
	R	R
The solvency ratio is calculated on the following basis:		
General reserve	217,512,283	207,150,305
Total members' funds as per Statement of Financial Position	217,512,283	207,150,305
Cumulative unrealised gain on investments at fair value	(9,890,095)	-
Accumulated funds	<u>207,622,188</u>	<u>207,150,305</u>
Gross contribution income as per Note 9 to the Annual Financial Statements	391,673,013	381,866,486
Opening unrealised (loss) on investments	(7,913,065)	(3,415,805)
Movement of unrealised gain/(loss) on investments	17,803,160	(4,497,260)
Closing unrealised gain/(loss) on investments	<u>9,890,095</u>	<u>(7,913,065)</u>
Accumulated funds as a percentage of gross contributions	<u>53.01%</u>	<u>54.25%</u>

The solvency ratios for both 2021 and 2020 reflected above were calculated using accumulated funds, as required by the Council for Medical Schemes, as per regulation 29 of the Medical Schemes Act, 131 of 1998. 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 26.

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.

3.5 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 profit or loss.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

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. As at 31 December 2021, the effective equity exposure of the portfolios managed by Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd amounted to 37.85% and 38.14% respectively, while the combined total effective equity exposure was 31.56% (2020: 37.12%) 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 minimum overall investment return after investment management fees of the Consumer Price Index (CPI) inflation plus two percent per annum;
- achieve a return after investment management fees of CPI inflation plus three percent per annum or above on the growth assets which are not required to meet the Fund's liquidity needs; and
- achieve a competitive cash return on the reserves whose primary objective is to provide liquidity.

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 2021 year was set out in a report dated September 2021 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).

6. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

At the date of finalisation of the Annual Financial Statements on 21 April 2022, there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the Annual Financial Statements.

7. COVID-19

The following cumulative COVID-19 information until end of March 2022 was taken into consideration:

	2022	2021
- Total member lives infected by COVID-19	2,433	1,025
- Total member lives recovered from COVID-19	2,372	993
- Total member deaths from COVID-19	55	25
- Total COVID-19-related claims in Rands	63,320,576	36,527,189

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

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

8. 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 31 to the Annual Financial Statements. The following stipulations were not complied with during the year:

8.1 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 R4,221,087 (2020: R4,212,186) representing 1.3% (2020: 1.3%) 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 14.0% (2020: 14.4%) of the Comprehensive Option's annual risk contribution income for 2021.

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 74% 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.

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 2021 year, there were instances where contributions were received later than three days after the due date. As at 31 December 2021, there was an amount of R97,559 (2020: R22,690) outstanding. This amount represents 0.02% (2020: 0.01%) 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 all parties responsible to emphasise the importance of prompt payment.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

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

8.2 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 2021.

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 paragraph 9 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.

9. 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:

	2021	2020
	R	R
Discovery Holdings Ltd	438,665	239,970
Liberty Holdings Ltd	466,424	578,293
Momentum Metropolitan Holdings Ltd	163,112	144,356
Sanlam Ltd	661,749	307,796
Truworths International Ltd	134,761	48,812
Woolworths Holdings Ltd	1,881,800	1,265,226
	<u>3,746,511</u>	<u>2,584,453</u>

Refer to paragraph 25 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 scheme administrators. Refer to item 8.2 above for detailed disclosures in terms of non-compliance with the Medical Schemes Act.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

10. 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 three occasions during 2021, as follows:

13 April; 12 August; and 21 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	Independent non-Trustee	
Ms Z Mowzer	Trustee	
Ms C Nyathi	Independent non-Trustee	Appointed 1 July 2021
Mr R Oosterbaan	Independent non-Trustee	Retired 30 June 2021
Mr I Thompson	Trustee	

11. 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 2021, as follows:

8 February; 20 April; 3 August; and 26 October.

During the year under review, the Investment Committee comprised:

Mr I Thompson	Chairperson/Trustee	Appointed as Chairperson 31 August 2021
Ms S Malander	Vice-Chairperson/Trustee	Chairperson until 31 August 2021, elected as Vice-Chairperson 26 October 2021
Ms M George	Non-Trustee	
Mr T Magagula	Trustee	Resigned 30 April 2021
Mr G Teixeira	Trustee	Appointed 1 August 2021

12. 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 2021.

During the year under review, the Disputes Committee comprised:

Ms H Drabbe	Committee member	Resigned 30 April 2021
Mr L Motofo	Committee member	
Ms S Proudfoot	Committee member	Appointed 1 May 2021
Mr M van Buuren	Committee member	

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

13. 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 seven occasions during 2021, as follows:

9 March; 20 April; 11 May; 8 June; 13 July, 3 August; and 26 October.

During the year under review, the Benefits Committee comprised:

Ms S Malander	Chairperson/Trustee	
Mr C du Plessis	Vice Chairperson/Non-Trustee	
Mr G Fergus	Trustee	Appointed 31 August 2021
Mr S Latta	Trustee	
Ms A Urquhart	Non-Trustee	

14. 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 2021, as follows:

2 February; 28 April; 20 July; and 2 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	Retired 31 December 2021

15. 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 2021, on 29 November 2021.

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

Dr A Davidson	Chairperson/Medical Advisor	
Ms A Brandes	Fund Administrator's Representative	
Mr A Hector	Trustee	
Mr T Modisi	Fund Actuaries' Representative	
Mr D Rambhookan	Fund Administrator's Representative	
Ms B Wata	Trustee	Appointed 31 August 2021
Ms J Wolhuter	Operations Manager	Retired 31 December 2021

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

16. TRUSTEE AND COMMITTEE MEETING ATTENDANCE

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

Trustee/Committee Member/Principal Officer	Board meetings		Audit Committee meetings		Investment Committee meetings		Benefits Committee meetings		Clinical Committee meetings		Ex Gratia Committee meetings		Disputes Committee meetings	
	5		3		4		7		4		1		0	
	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	4	7	7	4	3	-	-	-	-
Mr A Hector	5	4	-	-	-	-	-	-	4	4	1	1	-	-
Mr S Latta	5	4	-	-	-	-	7	7	-	-	-	-	-	-
Mr T Magagula	2	1	-	-	2	0	-	-	-	-	-	-	-	-
Ms Z Mgolodela	5	4	-	-	-	-	-	-	-	-	-	-	-	-
Ms Z Mowzer	5	4	3	3	-	-	-	-	-	-	-	-	-	-
Mr G Teixeira	5	4	-	-	1	1	-	-	-	-	-	-	-	-
Mr I Thompson	5	4	3	3	4	4	-	-	-	-	-	-	-	-
Mr G Fergus	2	2	-	-	-	-	1	1	-	-	-	-	-	-
Ms B Wata	2	2	-	-	-	-	-	-	-	-	1	0	-	-
Principal Officer														
Mr F de Wit	5	5	3	3	4	4	7	7	4	4	1	1	-	-

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

16. TRUSTEE AND COMMITTEE MEETING ATTENDANCE (CONTINUED)

Trustee/Committee Member/Principal Officer	Board meetings		Audit Committee meetings		Investment Committee meetings		Benefits Committee meetings		Clinical Committee meetings		Ex Gratia Committee meetings		Disputes Committee meetings		
	5		3		4		7		4		1		0		
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	
Committee members															
Ms A Brandes		Clinical/Ex Gratia	-	-	-	-	-	-	-	4	4	1	1	-	-
Mr D Crisp		Audit	-	-	3	3	-	-	-	-	-	-	-	-	-
Dr T Davidson		Clinical/Ex Gratia	-	-	-	-	-	-	-	4	4	1	1	-	-
Mr C du Plessis		Benefits	-	-	-	-	-	-	7	7	-	-	-	-	-
Ms M George		Investment	-	-	-	-	4	3	-	-	-	-	-	-	-
Ms K Hofmeyr		Audit	-	-	3	3	-	-	-	-	-	-	-	-	-
Dr S Jairam		Clinical	-	-	-	-	-	-	-	4	4	-	-	-	-
Mr T Modisi		Ex Gratia	-	-	-	-	-	-	-	-	-	1	1	-	-
Ms C Nyathi		Audit	-	-	2	2	-	-	-	-	-	-	-	-	-
Mr R Oosterbaan		Audit	-	-	1	1	-	-	-	-	-	-	-	-	-
Mr D Rambhookan		Ex Gratia	-	-	-	-	-	-	-	-	-	1	1	-	-
Mr G Scott		Clinical	-	-	-	-	-	-	-	4	4	-	-	-	-
Ms A Urquhart		Benefits	-	-	-	-	-	-	7	6	-	-	-	-	-
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

17. 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 13.

WOOLTRU HEALTHCARE FUND
STATEMENT OF FINANCIAL POSITION
as at 31 DECEMBER 2021

	Notes	2021 R	2020 R
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	2	146,515,058	107,731,529
Current assets			
Financial assets at fair value through profit or loss	2	118,865,414	147,334,949
Trade and other receivables	3	82,131,970	121,271,694
Investment of Medical Savings Accounts	5	12,475,701	5,051,809
Cash and cash equivalents	4	23,756,445	20,372,775
		501,298	638,671
Total assets		<u>265,380,472</u>	<u>255,066,478</u>
FUNDS AND LIABILITIES			
Members' funds			
General reserve		217,512,283	207,150,305
		217,512,283	207,150,305
Current liabilities			
Medical Savings Accounts	7	47,868,189	47,916,173
Trade and other payables	6	25,319,247	22,072,808
Outstanding claims provision	8	3,088,949	3,081,413
		19,459,993	22,761,952
Total funds and liabilities		<u>265,380,472</u>	<u>255,066,478</u>

WOOLTRU HEALTHCARE FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Notes	2021 R	2020 R
Risk contribution income	9	323,918,646	312,374,750
Relevant healthcare expenditure		(309,052,276)	(286,924,387)
Net claims incurred	10	(303,230,345)	(282,887,240)
Risk claims incurred		(303,263,510)	(284,102,443)
Third-party claim recoveries		33,165	1,215,203
Accredited managed healthcare expenses	11	(7,288,512)	(7,466,514)
Net income on risk transfer arrangements	12	1,466,581	3,429,367
Premiums paid on risk transfer arrangements		(51,125,665)	(45,915,491)
Recoveries received on risk transfer arrangements		52,592,246	49,344,858
Gross healthcare result		14,866,370	25,450,363
Administration and other expenses	13	(31,284,550)	(31,346,502)
Movement in the provision for doubtful debts	14	(110,395)	(128,102)
Net healthcare result		(16,528,575)	(6,024,241)
Other income		28,004,810	12,443,592
Investment income	15	10,159,683	12,442,919
Unrealised gains on financial assets at fair value through profit or loss	2	17,803,160	-
Sundry income	17	41,967	673
Other expenditure		(1,114,257)	(5,497,066)
Net realised losses on financial assets at fair value through profit or loss	16	(158,591)	(103,769)
Unrealised losses on financial assets at fair value through profit or loss	2	-	(4,497,260)
Investment management fees	18	(955,666)	(896,037)
Net surplus for the year		10,361,978	922,285
Other comprehensive income		-	-
Total comprehensive income for the year		10,361,978	922,285

WOOLTRU HEALTHCARE FUND
STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2021

	R
	Members'
	funds/General
	reserve
Balance at 1 January 2020	206,228,020
Total comprehensive income for the year	922,285
Other comprehensive income	-
	<hr/>
Balance at 1 January 2021	207,150,305
Total comprehensive income for the year	10,361,978
Other comprehensive income	-
	<hr/>
Balance at 31 December 2021	<u><u>217,512,283</u></u>

WOOLTRU HEALTHCARE FUND
STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	Notes	2021 R	*Restated 2020 R
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash receipts from members and providers</i>		391,404,614	381,744,456
Cash receipts from members – contributions		391,404,614	381,744,456
<i>Cash paid to providers, employees and members</i>		(415,363,098)	(376,646,530)
Cash paid to providers, employees and members – claims		(383,173,894)	(344,362,507)
Cash paid to providers, employees and members – non-healthcare expenditure		(31,247,758)	(31,580,841)
Cash paid to members – savings plan refunds		(941,446)	(703,182)
Net cash (used in)/generated from operating activities	34	(23,958,484)	5,097,926
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	2	(321,112,060)	(343,500,000)
Proceeds on disposal of investments	2	347,645,701	344,833,000
Interest received		671,140	552,757
Net cash generated from investing activities		27,204,781	1,885,757
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		3,246,297	6,983,683
Cash and cash equivalents at the beginning of the year		21,011,446	14,027,763
Cash and cash equivalents at the end of the year		24,257,743	21,011,446
Investment of Medical Savings Accounts	5	23,756,445	20,372,775
Cash and cash equivalents	4	501,298	638,671

*The restatement is as a result of the direct method that was used to report cash flows from operating activities as prescribed by the Council for Medical Schemes in Circular 52 of 2021 for the financial year ended 31 December 2021 onwards. Refer to Note 34.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021

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. These policies have been consistently applied to all years presented, except for changes required by the mandatory adoption of new, revised IFRS and changes in accounting policy, as per Note 34.

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 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 marketplace (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.

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 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.

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.

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 includes 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 Accounts 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 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 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.

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 paragraph 2.3 on page 13 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 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 are 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 amount, 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 2021 (continued)

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		2021	2020
		R	R
	Notes		
Fair value at the beginning of the year		229,003,223	223,943,127
Additions		321,112,060	343,500,000
Disposals		(347,645,701)	(344,833,000)
Realised (loss) on disposal of financial assets at fair value		(158,591)	(103,769)
Unrealised gain/(loss) on revaluation of financial assets at fair value		17,803,160	(4,497,260)
Investment income on financial assets at fair value	15	9,488,543	11,890,162
Investment management fees	18	(955,666)	(896,037)
Fair value at the end of the year		<u>228,647,028</u>	<u>229,003,223</u>
Total financial assets at fair value through profit or loss:			
Non-current		146,515,058	107,731,529
Current		<u>82,131,970</u>	<u>121,271,694</u>
		<u>228,647,028</u>	<u>229,003,223</u>
Financial assets are invested in:			
Bonds		64,351,774	37,381,306
Equity		82,163,284	70,350,223
Money-market instruments		<u>82,131,970</u>	<u>121,271,694</u>
		<u>228,647,028</u>	<u>229,003,223</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 30.

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

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

3. TRADE AND OTHER RECEIVABLES

	2021	2020
	R	R
Insurance receivables		
Risk contributions outstanding	2,163,915	1,895,516
Recoveries from members and service providers	7,834,018	1,040,708
Medical Savings Account advances	45,976	57,528
Less: Provision for doubtful debts	(482,720)	(521,232)
- Carrying amount at the beginning of the period	(521,232)	(523,397)
- Net decrease in the provision during the period	38,512	2,165
	<u>9,561,189</u>	<u>2,472,520</u>
Risk transfer arrangements		
Share of outstanding claims provision	2,819,913	2,497,865
	<u>12,381,102</u>	<u>4,970,385</u>
Financial receivables *		
Accrued interest	94,599	81,424
- Standard Bank current account	8,754	8,219
- Nedgroup Corporate Money-Market Fund	85,845	73,205
	<u>12,475,701</u>	<u>5,051,809</u>

*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 30 for the Fund's exposure to credit risk.

The increase in recoveries from members and service providers is due to a duplicate claims run payment made on 31 December 2021. As at 31 March 2022, 97% of this duplicate payment has been recovered. The Administrator settled the remaining balance and compensated the Fund for the loss in investment returns during this period.

4. CASH AND CASH EQUIVALENTS

Current account	<u>501,298</u>	<u>638,671</u>
-----------------	----------------	----------------

Total interest earned on the bank account was R67,755 (2020: R129,476). The average effective interest rate on the current account was 1.64% (2020: 2.54%). 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- (2020: BB-) as at 31 December 2021 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.

5. INVESTMENT OF MEDICAL SAVINGS ACCOUNTS

Call account	<u>23,756,445</u>	<u>20,372,775</u>
--------------	-------------------	-------------------

The average interest rate on this call account was 3.05% (2020: 2.65%). 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.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

6. TRADE AND OTHER PAYABLES

	2021	2020
	R	R
Insurance payables		
Savings claims reported not yet paid	-	481,908
Amounts owing to members and service providers	2,699,191	2,217,747
Financial payables		
Provision for audit fees	378,587	371,666
Sundry payables and provisions	11,171	10,092
	<u>3,088,949</u>	<u>3,081,413</u>

7. MEDICAL SAVINGS ACCOUNTS (MSA)

Balance on savings liability at the beginning of the year	22,072,808	14,028,390
Less: Advances on MSA at the beginning of the year	(57,528)	(216,156)
Balance on MSA liability at the beginning of the year	<u>22,015,280</u>	<u>13,812,234</u>
Add:	68,008,211	69,708,529
MSA contribution received/receivable for the year	67,754,367	69,491,736
MSA adjustments	253,844	216,793
Less:	(64,750,220)	(61,505,483)
Claims paid on behalf of members	(63,554,930)	(60,585,508)
Refunds on death or resignations	(1,195,290)	(919,975)
	<u>25,273,271</u>	<u>22,015,280</u>
Add: Advances on MSA at the end of the year	45,976	57,528
MSA balance due to members at the end of the year	<u>25,319,247</u>	<u>22,072,808</u>

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 2021, but not yet recorded, will amount to R1,476,949 (2020: R1,770,306) (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 an MSA must be taken as a cash benefit when the member terminates his or her membership of the Fund and then enrolls onto another medical scheme without an MSA or does not enrol onto another medical scheme.

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

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

8. OUTSTANDING CLAIMS PROVISION

	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
2021		
Outstanding claims provision	2,819,913	16,640,080
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	2,497,865	20,264,087
Payments in respect of prior year	(2,497,865)	(19,017,575)
Under provision in respect of prior year	-	1,246,512
Adjustment for current year	2,819,913	15,393,568
Balance at end of year	2,819,913	16,640,080
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	18,117,029
Outstanding claims provision relating to risk transfer arrangements	2,819,913	-
Less: Estimated recoveries from MSA	-	(1,476,949)
Balance at end of year	2,819,913	16,640,080
Total outstanding claims provision at end of year		19,459,993
2020		
Outstanding claims provision	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)
Over 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
<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	2,497,865	20,264,087
Total outstanding claims provision at end of year		22,761,952

8. OUTSTANDING CLAIMS PROVISION (CONTINUED)

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.

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.

8. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivities (continued)

Assumptions (continued)

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:

	2021	2020
Claims outstanding for:	%	%
December	64	64
November	12	11
October	4	5
September	2	2
August and prior	0	0

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 2021	Change in liability 2020
	R	R
Effect of a 1 percentage point change in all the assumed percentages	1,367,655	1,299,687
Effect of a 2 percentage point change in all the assumed percentages	2,628,022	2,456,024
Effect of a 3 percentage point change in all the assumed percentages	3,651,960	3,740,228

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

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

9. RISK CONTRIBUTION INCOME

	2021	2020
	R	R
Gross contributions per registered Rules	391,673,013	381,866,486
Less: MSA contributions received/accrued	<u>(67,754,367)</u>	<u>(69,491,736)</u>
	<u><u>323,918,646</u></u>	<u><u>312,374,750</u></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	299,347,668	274,387,373
Movement in outstanding risk claims provision	15,393,568	21,463,254
- Under/(Over) provision in the prior year	<u>(1,246,512)</u>	<u>1,199,167</u>
- Provision for the current year	<u>16,640,080</u>	<u>20,264,087</u>
	314,741,236	295,850,627
Less:	(64,069,972)	(61,093,042)
- MSA claims paid	<u>(63,554,930)</u>	<u>(60,585,508)</u>
- Discount received on claims	<u>(515,042)</u>	<u>(507,534)</u>
	250,671,264	234,757,585

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	49,772,333	46,846,993
Movement in outstanding risk claims provision	<u>2,819,913</u>	<u>2,497,865</u>
	<u>52,592,246</u>	<u>49,344,858</u>
Third-party claim recoveries		
Recoveries from the Road Accident Fund	<u>(33,165)</u>	<u>(1,215,203)</u>
TOTAL NET CLAIMS INCURRED	<u><u>303,230,345</u></u>	<u><u>282,887,240</u></u>

11. ACCREDITED MANAGED HEALTHCARE EXPENSES

Designated network provider fees	874,511	895,404
Electronic benefit management	867,153	888,665
HIV programme	434,037	444,814
HomeCare+	466,224	477,549
Hospital risk management	2,288,810	2,344,417
Medicine risk management	1,370,158	1,403,762
Oncology management	302,539	310,022
Prescribed minimum benefit management	<u>685,080</u>	<u>701,881</u>
	<u><u>7,288,512</u></u>	<u><u>7,466,514</u></u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

12. NET INCOME ON RISK TRANSFER ARRANGEMENTS

	2021	2020
	R	R
Premiums paid		
- Momentum Health Solutions (Pty) Ltd (Saver and Comprehensive Options)	14,648,750	14,334,167
- Momentum Health Solutions (Pty) Ltd (Network Option)	36,476,915	31,581,324
	<u>51,125,665</u>	<u>45,915,491</u>
Recoveries received	(52,592,246)	(49,344,858)
- Momentum Health Solutions (Pty) Ltd (Saver and Comprehensive Options)	(13,952,126)	(14,255,623)
- Momentum Health Solutions (Pty) Ltd (Network Option)	(38,640,120)	(35,089,235)
	<u>(1,466,581)</u>	<u>(3,429,367)</u>

Overview of terms and conditions of risk transfer agreements:

The Fund entered into two risk transfer arrangement with Momentum Health Solutions (Pty) Ltd.

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

The second arrangement provides all healthcare benefits for beneficiaries registered on the Network Option.

13. ADMINISTRATION AND OTHER EXPENSES

Actuarial and Investment Consulting fees	1,603,560	1,548,360
Administration fees	24,933,680	25,170,396
- Accredited services	20,946,874	25,170,396
- Other services	3,986,806	-
Audit fees	565,583	555,000
Bank charges	136,546	138,148
Board of Healthcare Funders levies	140,907	137,435
Centre for Diabetes and Endocrinology	198,570	164,983
Council for Medical Schemes levies	440,586	386,752
Debt recovery charges	7,852	13,140
Health quality assessment	60,536	58,264
Hello Doctor	-	99,929
Independent committee members' fees	37,590	60,470
Medical Advisor's fees	694,800	670,464
Operations Manager's remuneration	488,911	438,247
Principal Officer's remuneration	1,833,114	1,764,618
Principal Officer's discretionary budget	2,391	-
Printing, postage, stationery and communication services	53,024	57,583
Seminar and travel expenses (non-Trustees)	-	1,149
Trustee liability insurance	66,000	61,400
Trustee remuneration	20,900	20,164
	<u>31,284,550</u>	<u>31,346,502</u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

14. MOVEMENT IN THE PROVISION FOR DOUBTFUL DEBTS

	2021	2020
	R	R
<i>Trade and other receivables</i>		
Contributions at risk of not being collected		
Decrease in provision for doubtful debts	(22,389)	6,934
Members' and service providers' claim portions at risk of not being collected		
Decrease/(Increase) in provision for doubtful debts	60,902	(4,769)
Less:		
Previous impairment losses recovered	-	5,190
Bad debts written off	(148,908)	(135,457)
	<u>(110,395)</u>	<u>(128,102)</u>

15. INVESTMENT INCOME

Interest income on financial assets at fair value through profit or loss	6,460,026	7,380,262
Dividend income on financial assets at fair value through profit or loss	3,028,517	4,509,900
Interest income on cash and cash equivalents	671,140	552,757
	<u>10,159,683</u>	<u>12,442,919</u>

16. NET REALISED LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Realised gains on financial assets at fair value through profit or loss	947,890	223,748
Realised losses on financial assets at fair value through profit or loss	(1,106,481)	327,517)
	<u>(158,591)</u>	<u>(103,769)</u>

17. SUNDRY INCOME

Prescribed credit balances recognised as sundry income	<u>41,967</u>	<u>673</u>
--	---------------	------------

18. INVESTMENT MANAGEMENT FEES

Allan Gray Life Ltd	646,065	502,450
Sanlam Investment Management (Pty) Ltd	309,601	393,587
	<u>955,666</u>	<u>896,037</u>

19. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

At the date of finalisation of the Annual Financial Statements, on 21 April 2022, there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the Annual Financial Statements.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

20. COVID-19

The following cumulative COVID-19 information until end of March 2022 were taken into consideration:

	2021	2020
- Total member lives infected by COVID-19	2,433	1,025
- Total member lives recovered from COVID-19	2,372	993
- Total member deaths from COVID-19	55	25
- Total COVID-19 related claims in Rands	63,320,576	36,527,189

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

21. CAPITAL ADEQUACY RISK

The solvency ratio at year-end was 53.01% (2020: 54.25%). There are sufficient reserves to provide for adverse variations on present and future experiences.

22. CONTINGENT LIABILITIES

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees and suretyships or the like at 31 December 2021.

23. CONTINGENT ASSET

At year-end claims amounting to R6,148,167 (2020: R2,671,524) had been lodged with the Road Accident Fund (RAF) relating to past medical expenses already paid, with the potential recovery value of R3,996,309 (2020: R1,736,491). These recoveries are dependent on finalisation by the RAF and corresponding legal processes which can take a number of years to conclude.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

24. SURPLUS/(DEFICIT) PER BENEFIT OPTION

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

2021	Network Option	Saver Option	Comprehensive Option	Total
	R	R	R	R
Risk contribution income	43,950,341	250,185,612	29,782,693	323,918,646
Relevant healthcare expenditure	(36,476,915)	(238,896,342)	(33,679,019)	(309,052,276)
Risk claims incurred	(38,640,120)	(230,006,242)	(34,617,148)	(303,263,510)
Third-party claim recoveries	-	31,279	1,886	33,165
Accredited managed healthcare expenses	-	(6,876,787)	(411,725)	(7,288,512)
Net income/(expense) on risk transfer arrangements	2,163,205	(2,044,592)	1,347,968	1,466,581
Gross healthcare result	7,473,426	11,289,270	(3,896,326)	14,866,370
Administration and other expenses	(4,264,727)	(25,491,162)	(1,528,661)	(31,284,550)
Movement in the provision for doubtful debts	(22,561)	(82,872)	(4,962)	(110,395)
Net healthcare result	3,186,138	(14,284,764)	(5,429,949)	(16,528,575)
Other income	5,690,337	21,055,822	1,258,651	28,004,810
Investment income	2,068,774	7,633,906	457,003	10,159,683
Unrealised gains on financial assets at fair value through profit or loss	3,621,563	13,379,949	801,648	17,803,160
Sundry income	-	41,967	-	41,967
Other expenditure	(229,024)	(835,444)	(49,789)	(1,114,257)
Net realised (losses) on financial assets at fair value through profit or loss	(34,576)	(117,234)	(6,781)	(158,591)
Investment management fees	(194,448)	(718,210)	(43,008)	(955,666)
Net income/(loss) for the year	8,647,451	5,935,614	(4,221,087)	10,361,978

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

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

2020	Network Option	Saver Option	Comprehensive Option	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)	5,450,363
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 gains 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 income/(loss) for the year	3,531,105	1,603,366	(4,212,186)	922,285

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.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

25. 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.

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 and Sanlam Investment Management (Pty) Ltd 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

	2021	2020
	R	R
<i>Compensation</i>		
Principal Officer's salary	1,835,505	1,764,618
Operations Manager's salary	488,911	438,247
Medical Advisor's fees	694,800	670,464
Trustee remuneration and independent committee members' fees	58,490	80,634
	<u>3,077,706</u>	<u>2,953,963</u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

25. RELATED-PARTY TRANSACTIONS (CONTINUED)

	2021	2020
	R	R
Statement of Comprehensive Income		
Risk contributions received	537,550	526,424
Claims incurred	771,561	655,795
Statement of Financial Position		
Investments in participating Employers of members		
Truworths International Ltd	134,761	48,812
Woolworths Holdings Ltd	1,881,800	1,265,226

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.

Other transactions

Transactions with entities that have significant influence over the Fund

	2021	2020
	R	R
Statement of Comprehensive Income		
Administration fees paid to Momentum Health Solutions (Pty) Ltd	24,933,680	25,170,396
Accredited services	20,946,874	25,170,396
Other services	3,986,806	-
Managed healthcare fees and capitation premiums paid to Momentum Health Solutions (Pty) Ltd	58,414,177	53,382,005
Claims recoveries from Momentum Health Solutions (Pty) Ltd	(52,592,246)	(49,344,858)
Investment management fees paid to the appointed investment managers	955,666	896,037
Actuarial and Investment Consulting fees paid to NMG Consultants and Actuaries (Pty) Ltd	1,603,560	1,548,360
Statement of Financial Position		
Investments in the holding company of the Administrator	163,112	144,356

25. RELATED-PARTY TRANSACTIONS (CONTINUED)

Other transactions (continued)

Terms and conditions of the administration agreement – accredited services

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 administration agreement – other services

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 risk transfer arrangements

The risk transfer agreements 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 agreements are 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.

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.

26. 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.

26. ACCOUNTING STANDARDS ISSUED, BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 17 Insurance Contracts (continued)

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)
- A 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.

27. 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 section 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.

28. 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 2021 (continued)

28. INSURANCE RISK MANAGEMENT (CONTINUED)

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

The following tables summarise 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.

2021

Age grouping (in years)	Number of beneficiaries	General practitioners	Specialists	Dentistry	Optometry	Medication	Hospital	Other	Total
		R	R	R	R	R	R	R	R
<25	5 876	416,829	6,224,890	103,641	-	2,177,083	12,256,833	2,086,998	23,266,274
25 – 34	2 648	584,416	6,287,635	66,623	-	1,991,757	11,260,887	2,470,636	22,661,954
35 – 49	5 278	1,374,039	19,836,552	176,300	-	11,103,621	31,655,594	8,460,656	72,606,762
50 – 64	2 291	629,936	13,578,556	194,958	-	6,875,755	21,875,983	4,741,108	47,896,296
>64	1 347	644,310	19,660,819	139,258	-	8,440,212	31,625,966	8,302,680	68,813,245
Momentum Health Solutions (Network Option)	-	5,959,906	3,937,065	796,876	358,831	1,703,425	20,223,015	3,148,586	36,127,704
Momentum Health Solutions (Saver and Comprehensive Option)	-	-	-	-	-	13,644,629	-	-	13,644,629
	17 440	9,609,436	69,525,517	1,477,656	358,831	45,936,482	128,898,278	29,210,664	285,016,864
Movement in outstanding risk claims provision									18,213,481
Total									303,230,345

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

28. INSURANCE RISK MANAGEMENT (CONTINUED)

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

2020

Age grouping (in years)	Number of beneficiaries	General practitioners	Specialists	Dentistry	Optometry	Medication	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 and Comprehensive Option)	-	-	-	-	-	14,050,068	-	-	14,050,068
Netcare 911	-	-	-	-	-	-	-	-	-
	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

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

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 is 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 2021 (continued)

28. 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 2021	Change in liability 2020
	R	R
Effect of a 1 percentage point change in all the assumed percentages	1,367,655	1,299,687
Effect of a 2 percentage point change in all the assumed percentages	2,628,022	2,456,024
Effect of a 3 percentage point change in all the assumed percentages	3,651,960	3,740,228

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.

29. 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 paragraph 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%.

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.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

30. FINANCIAL RISK MANAGEMENT

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

	2021	2020
	R	R
Financial assets		
Financial assets at fair value (mandatory at fair value through profit or loss)	228,647,028	229,003,223
Bonds	64,351,774	37,381,306
Equity	82,163,284	70,350,223
Money-market instruments	82,131,970	121,271,694
Amortised cost	595,897	720,095
Cash and cash equivalents (mandatory at amortised cost)	501,298	638,671
Financial receivables (mandatory at amortised cost)	94,599	81,424
Insurance receivables (mandatory at amortised cost)	12,381,102	4,970,385
Financial liabilities		
Financial liabilities at amortised cost (mandatory at amortised cost)	19,849,751	23,143,710
Outstanding claims provision	19,459,993	22,761,952
Financial payables	389,758	381,758
Insurance payables (mandatory at amortised cost)	2,699,191	2,699,655
Medical Savings Accounts (mandatory at amortised cost)	25,319,247	22,072,808

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 2021 (continued)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management (continued)

Liquidity risk (continued)

At year-end R38,796,057 (2020: R64,013,703) 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
2021				
To satisfy:				
Outstanding claims provision	10,373,628	4,150,499	4,935,866	19,459,993
Medical Savings Accounts	127,717	57,299	25,134,231	25,319,247
Insurance payables	2,699,191	-	-	2,699,191
Financial payables	62,199	316,114	11,445	389,758
Total	13,262,735	4,523,912	30,081,542	47,868,189
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

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- (2020: BB-) as at 31 December 2021. 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 2021 (continued)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management (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
2021	R	R	R	R
Insurance receivables				
- Contributions outstanding	2,038,661	97,559	27,695	2,163,915
- Recoveries from members and providers	7,363,876	15,117	455,025	7,834,018
- Medical Savings Account advances	45,976	-	-	45,976
- Risk transfer receivables	2,819,913	-	-	2,819,913
Financial assets at fair value through profit or loss	228,647,028	-	-	228,647,028
Cash and cash equivalents	501,298	-	-	501,298
Financial receivables	94,599	-	-	94,599
Total	241,511,351	112,676	482,720	242,106,747

2020				
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

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management (continued)

Credit risk (continued)

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

	30 days	60 days	90 days	Total
	R	R	R	R
2021				
Contributions outstanding	50,053	28,430	19,076	97,559
Amounts recoverable from members and providers	3,634	4,953	6,530	15,117
Past due total	53,687	33,383	25,606	112,676
2020				
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

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 0.32% (2020: 0.44%) of its investable assets in an offshore account. As at 31 December 2021, this equates to R0.25m (2020: R1.11m).

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 2021 was 6.53% (2020: 5.98%). 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).

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management (continued)

Interest rate risk (continued)

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

2021

Financial assets at fair value *	1,990,961	6,628,959	11,810,842	126,052,982	146,483,744
Cash and cash equivalents	501,298	-	-	-	501,298
Total	2,492,259	6,628,959	11,810,842	126,052,982	146,985,042

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

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.

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.

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market-risk sensitivity analysis (continued)

Fair value sensitivity analysis (continued)

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
2021				
Financial assets at fair value	228,647,028	227,621,460	226,595,891	224,544,755
Net surplus for the year	12,763,706	11,738,139	10,712,570	8,661,434
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)

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
2021				
Financial assets at fair value	228,647,028	226,118,840	222,326,059	216,004,590
Net surplus for the year	12,763,706	10,235,518	6,442,738	121,269
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)

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
2021				
Financial assets at fair value	228,647,028	224,963,047	221,278,565	213,910,103
Net surplus for the year	12,763,706	9,079,726	5,395,244	(1,973,218)
2020				
Financial assets at fair value	229,003,223	226,007,624	223,012,026	217,020,829
Net deficit for the year	922,285	(2,073,314)	(5,068,912)	(11,060,109)

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market-risk sensitivity analysis (continued)

Equity price sensitivity analysis (continued)

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.

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.

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.

2021	Valuation technique	Level 1	Level 2	Level 3	Total
		R	R	R	R
Financial assets at fair value					
Money-market instruments	Quoted market price	-	82,131,970	-	82,131,970
Listed equity instruments	Quoted market price	82,163,284	-	-	82,163,284
Listed bonds	Quoted market price	-	64,351,774	-	64,351,774
		82,163,284	146,483,744	-	228,647,028
2020	Valuation technique	Level 1	Level 2	Level 3	Total
		R	R	R	R
Financial assets at fair value					
Money-market instruments	Quoted market price	-	121,271,694	-	121,271,694
Listed equity instruments	Quoted market price	70,350,223	-	-	70,350,223
Listed bonds	Quoted market price	-	37,381,306	-	37,381,306
		70,350,223	158,653,000	-	229,003,223

31. 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:

31.1 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 R4,221,087 (2020: R4,212,186) representing 1.3% (2020: 1.3%) 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 14.0% (2020: 14.4%) of the Comprehensive Option's annual risk contribution income for 2021.

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 74% of the Fund's membership, would have to pay higher contributions in future. It is therefore 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.

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 2021 year, there were instances where contributions were received later than three days after the due date. As at 31 December 2021, there was an amount of R97,559 (2020: R22,690) outstanding. This amount represents 0.02% (2020: 0.01%) 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 all parties responsible to emphasise the importance of prompt payment.

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

31.2 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 2021.

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 paragraph 9 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.

32. PROFESSIONAL LIABILITY INSURANCE

The Fund, its Trustees and Officers of the Fund were covered under Trustee liability insurance throughout the year ended 31 December 2021. The insurance amounted to R65,000,000 (2020: R50,000,000) for any single claim and R130,000,000 (2020: R100,000,000) in aggregate.

33. 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 and Note 20.

Other than the items of non-compliance disclosed in Note 31, 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.

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

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

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

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

WOOLTRU HEALTHCARE FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2021 (continued)

34. CHANGE IN THE ACCOUNTING POLICY RELATING TO THE FORMAT OF THE STATEMENT OF CASH FLOWS (CONTINUED)

Table 1: Comparison of Statement of Cash Flows

	2020		2020
	Restated		Previously presented
CASH FLOWS FROM OPERATING ACTIVITIES		CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from members and providers	381,744,456	Cash utilised in operations before working capital changes	(5,895,466)
Cash paid to providers, employees and members - claims	(344,362,507)	WORKING CAPITAL CHANGES	
Cash paid to providers, employees and members - non-healthcare expenditure	(31,580,841)	Increase in net trade and other receivables	(743,072)
Cash paid to members - savings plan refunds	(703,182)	Decrease in trade and other payables	(339,028)
		Increase in outstanding claims provision	4,031,074
		Increase in Medical Savings Accounts	8,044,418
	<u>5,097,926</u>		<u>5,097,926</u>
CASH FLOWS FROM INVESTING ACTIVITIES		CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(343,500,000)	Purchase of investments	(343,500,000)
Proceeds on disposal of investments	344,833,000	Proceeds on disposal of investments	344,833,000
Interest received	552,757	Interest received	552,757
Net cash generated from investing activities	<u>1,885,757</u>	Net cash generated from investing activities	<u>1,885,757</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>6,983,683</u>	NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>6,983,683</u>
Cash and cash equivalents at the beginning of the year	<u>14,027,763</u>	Cash and cash equivalents at the beginning of the year	<u>14,027,763</u>
Cash and cash equivalents at the end of the year	<u><u>21,011,446</u></u>	Cash and cash equivalents at the end of the year	<u><u>21,011,446</u></u>

**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 nor 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 as approved and mandated at the Annual General Meeting held on 27 July 2022.

Chairperson of the Board of Trustees

Trustee

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

ANNEXURE 1

2022 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)	R12 000 per meeting
Independent Chairperson – Audit Committee	R15 000 per meeting

Signed on behalf of the Wooltru Healthcare Fund's Board of Trustees as approved and mandated at the Annual General Meeting held on 27 July 2022.

Chairperson of the Board of Trustees

Trustee

