



NOTICE IS HEREBY GIVEN THAT THE FIFTY-FIRST ANNUAL GENERAL MEETING OF WOOLTRU HEALTHCARE FUND WILL BE HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 20 JUNE 2017 AT 14:00.

AGENDA

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 21 June 2016.
4. To adopt the annual report of the Board for the year ended 31 December 2016.
5. To adopt the financial statements for the year ended 31 December 2016.
6. To adopt the report of the auditors for the year ended 31 December 2016.
7. To appoint the auditors for the ensuing year.
8. To elect member-elected Trustees.
9. To approve the Trustee remuneration.
10. General.

By order of the Board

A handwritten signature in black ink, appearing to read "Francois de Wit", is written over a faint horizontal line.

FRANCOIS DE WIT
PRINCIPAL OFFICER

MINUTES OF THE FIFTIETH ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 21 JUNE 2016 AT 14:00

- **PRESENT:** 40 members represented in person and zero proxies were received
- **CHAIRPERSON:** Ms Z Rylands
- **PRINCIPAL OFFICER:** Mr K Titley
- **APOLOGIES:** Mr A Hector; Mr S Pillay, Mr J Gillman, Mr S Latta; Mr T Magagula (Trustees); Ms A Brandes (Metropolitan Health)

1. OPENING AND WELCOME

The Chairperson opened the meeting and welcomed those present.

Words of welcome were extended to the representatives of Metropolitan Health Corporate (Pty) Ltd, the Fund's Administrators, the Fund's Medical Advisor and the Fund's actuaries from Willis Towers Watson. A special word of welcome was extended to Mr Mfana Maswanganyi from the Council for Medical Schemes who attended as an observer.

Following a count of members the Chairperson confirmed that a quorum was present (minimum 15 members) 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.

3. CONFIRMATION OF MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 25 JUNE 2015

Mr Tate proposed that the Minutes of the 2015 Annual General Meeting be approved and adopted.

Ms Malander seconded the proposal, which was then unanimously adopted.

The Minutes of the forty-ninth Annual General Meeting held on 23 June 2015 were signed as a true record of the proceedings.

No matters arising from the minutes of the 2015 Annual General Meeting were raised for further discussion.

4. REPORT OF THE BOARD OF TRUSTEES (BOT) FOR THE YEAR ENDED 31 DECEMBER 2015

The Annual Report of the Board of Trustees for the year ended 31 December 2015, having been circulated, was presented to the meeting.

Following a request by the Chairperson, the Principal Officer provided a brief overview of the Report commencing with a breakdown of the Fund's expenditure for the year, the greater proportion having been incurred for in-hospital costs.

Noting the Fund's current reserve of 65% of annual contributions the Principal Officer stated that the Board had decided to utilise excess reserves to benefit members by way of stabilising contribution increases and cushioning the impact of negative volatility in claims experience. The Board had agreed to allow the reserves to reduce over an extended period to 40% of annual contributions this being well in excess of the minimum stipulated in the Medical Schemes Act (25% of annual contributions). Appreciation was expressed to the Investment Managers and Actuaries for their work and guidance to the Fund which had resulted in good investment returns over previous financial years.

The Principal Officer acknowledged the contribution of the Fund's various sub-committees who, following their regular meetings, advise the Board of Trustees regarding a broad range of issues providing expertise and insight appropriate to the mandate of each sub-committee.

Additional points highlighted by the Principal Officer included:

- Membership of the Fund had increased from 9 337 to 9 890 members over the past year;
- The Fund had managed to produce a small surplus (R0.5 million) after investment returns for the year which was a significant improvement over the previous year's deficit (R8.4 million);
- Informative newsletters were regularly distributed to members, including informative health articles and news received from the Council for Medical Schemes;

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4. REPORT OF THE BOARD OF TRUSTEES (BOT) FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

- Benefit Option Changes for the 2017 year would be communicated to members in the last quarter of 2016 thus enabling members to make an informed decision regarding their membership options for the next year.

5. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The Annual Financial Statements for the year ended 31 December 2015, having been circulated, were presented to the meeting.

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

The Chairperson expressed appreciation to Metropolitan Health, Ernst & Young, the Fund's auditors and the Audit Committee for the preparation and reviewing of the Annual Financial Statements. Particular thanks were expressed to the Chairperson of the Audit Committee and the Committee Members for the work undertaken and their recommendation that the Annual Financial Statements be adopted by the Board of Trustees.

6. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2015

The report of Ernst & Young to the members of the Fund, having been circulated, was presented to the meeting.

Mr Thompson proposed that the Audited Financial Statements, the Report of the Board of Trustees, and the Report of the Auditors for the year ended 31 December 2015 be approved and adopted.

Ms Mowzer seconded the proposal, which was then unanimously adopted.

7. APPOINTMENT OF THE AUDITORS FOR THE ENSUING YEAR

With thanks to the Auditors for their work undertaken during 2015, the Chairperson confirmed that the Audit Committee had proposed to the Board of Trustees that the Fund renew the appointment of Ernst & Young Inc. as the external auditors to the Fund for the financial year ending 31 December 2016.

Mr Tate proposed that the appointment of Ernst & Young as the external auditors to the Fund for the financial year ending 31 December 2016 be approved and adopted.

Ms Pfeiffer seconded the proposal, which was unanimously adopted.

8. APPOINTMENT OF MEMBER-ELECTED TRUSTEES

The Chairperson confirmed that as the terms of all member trustees remain current, no trustee elections had taken place at this AGM, however two new employer-appointed trustees had recently been appointed as follows:

- Mr I Thompson had replaced Mr R Buddle
- Ms Z Mowzer had replaced Mr C Durham

The Chairperson expressed appreciation to the Trustees for their services over the past year and extended a word of welcome to Mr Thompson and Ms Mowzer who had already attended their first Board of Trustees meeting.

MINUTES OF THE FIFTIETH ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 21 JUNE 2016 AT 14:00 (CONTINUED)

8. APPOINTMENT OF MEMBER-ELECTED TRUSTEES (CONTINUED)

Following a recent Routine Inspection undertaken by the Council for Medical Schemes, the Chairperson noted a finding regarding the current election process of member elected trustees. With the Fund wishing to conduct all affairs to the highest possible standard and to remain fully compliant with all requirements, the Chairperson advised that the Principal Officer would undertake further communications with the Council for Medical Schemes and where necessary the Fund's rules would be duly amended regarding the election process.

9. TRUSTEE REMUNERATION POLICY

The Fund's Remuneration Policy in respect of independent Trustees/Committee members, having been circulated, was presented to the meeting.

Referring to pages 40 and 41 of the Annual General Meeting pack the Principal Officer advised that as a restricted scheme, most Trustees were sourced internally from employees of the participating employer groups and as such were not remunerated. However one trustee, being a continuation member, receives remuneration as a trustee. In addition, two members of the Audit Sub-Committee, namely the Chairperson and one independent member, not being employees of the participating employer groups, also received remuneration. As presented in the Annual General Meeting pack an increase of 5.9% remuneration was recommended for the remunerated Trustee, Audit Committee Chairperson and independent Audit Committee Member.

Ms Wolhuter proposed that the Remuneration Policy in respect of Trustees and Committee members be approved and adopted.

Mr Hlengwa seconded the proposal which was unanimously adopted.

10. GENERAL

No general items were raised for discussion.

11. CLOSURE OF MEETING

With a special word of thanks to the Principal Officer for his outstanding service to the Fund over many years, the Chairperson advised that both the Principal Officer and Chairperson would be stepping down at the end of 2016. Whilst the Board of Trustees were currently in the process of appointing a new Principal Officer the Chairperson confirmed that Mr Burger van der Merwe would be appointed as her replacement as principal employer appointed trustee with effect from January 2017.

The Chairperson expressed appreciation to the Fund Manager and Board of Trustees for their rigorous debates, passion and commitment to the Fund and encouraged their continued commitment and support for the new Chairperson and Principal Officer.

There being no further questions from the floor and no further business to discuss, the Chairperson thanked the members for their attendance and declared the meeting closed.

APPROVED AND SIGNED THIS _____ DAY OF _____

CHAIRPERSON

PRINCIPAL OFFICER

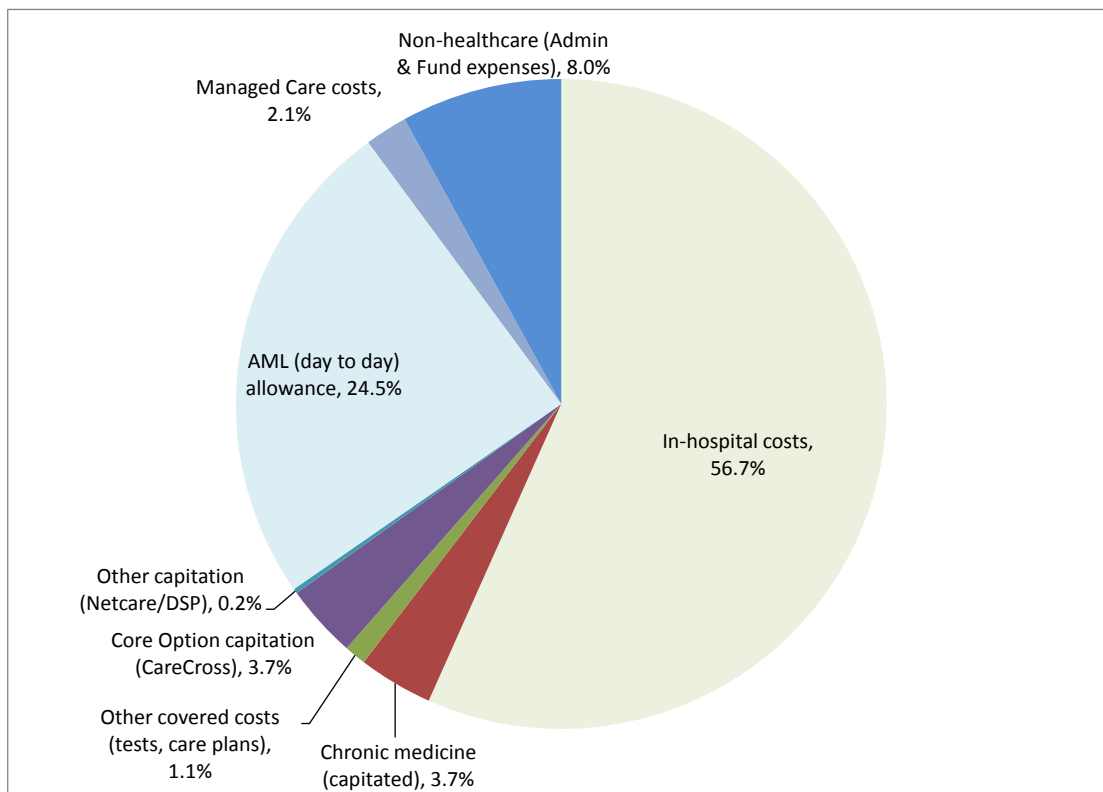
**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2016**

CHAIRPERSON’S REVIEW

As Chairperson of the Board of Trustees (‘the Board’) of the Wooltru Healthcare Fund (‘the Fund’), I have pleasure in presenting the Board’s report for the year ended 31 December 2016.

The 2016 financial year yielded less favourable results for the Fund when compared to 2015. The net healthcare deficit (before investment income) for the year amounted to R13.0 million (2015: R9.5 million). The Core Option yielded a net healthcare surplus of R0.3 million (2015: breakeven), while the Plus Option yielded a net healthcare deficit of R9.4 million (2015: R3.1 million deficit), and the Extended Option reflected a net healthcare deficit of R3.9 million (2015: R6.4 million deficit). Investment returns (net of fees) yielded R12.5 million for the year (2015: R10.0 million), which resulted in an overall deficit for the year of R0.5 million (2015: R0.5 million surplus).

The following graph provides a breakdown of the Fund’s expenditure for the year:



Source: Willis Towers Watson

Accumulated funds (excluding revaluation reserves) as at 31 December 2016 were R182.5 million (2015: R183.0 million), while the solvency ratio of 58.7% (2015: 65.0%) continues to compare favourably against the statutory minimum solvency level of 25%.

The Fund therefore remains financially sound and is well positioned to meet its future challenges. During 2017, the Board plans to review its current strategies, which will provide a clearer view of the areas where the Fund’s benefit structures can be improved to reduce future operational losses and ensure that the Fund remains financially viable until 2022 with a positive view for the years thereafter.

Contributions to the Fund were increased with effect from 1 January 2017 by 7.2% for the Core Option, 8.8% for the Plus Option and 9.8% for the Extended Option.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2016 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

I would like to highlight the following matters of interest to members:

1. GOVERNANCE

The Fund's management and service providers as at 31 December 2016 were:

1.1 Board of Trustees

Employer appointed	Member elected
Ms Z Rylands (Chairperson)	Mr J Gillman (Retiree representative)
Mr I Thompson	Mr A Hector
Ms S Malander	Mr S Latta
Mr S Pillay	Mr T Magagula
Ms Z Mowzer	Mr B Tate

Subsequent changes to the Board after 31 December 2016:

Ms Z Rylands (term of office ended 31 December 2016)
Mr S Pillay (term of office ended 31 December 2016)
Mr B Tate (term of office ended 28 February 2017)
Mr B van der Merwe (appointed 1 January 2017 – elected as Chairperson)
Ms Z Mgolodela (appointed 1 January 2017)

Based on the findings subsequent to an inspection conducted by the Council for Medical Schemes, the Fund intends to conduct an election for all member-elected Trustees at the 2017 Annual General Meeting.

On behalf of the Board and the Fund, I would like to extend a vote of thanks to the above Trustees for their services to both the Fund and the members.

1.2 Fund Committees

- Audit Committee: Chairperson: Mr D Crisp (Independent)
- Benefits Committee: Chairperson: Ms S Malander (Trustee)
- Clinical Committee: Chairperson: Dr A Davidson (Medical Advisor)
- Ex gratia Committee: Chairperson: Dr A Davidson (Medical Advisor)
- Investment Committee: Chairperson: Ms S Malander (Trustee)
- Disputes Committee: Ms H Drabbe (Truworhts), Ms A Gale (Woolworhts), Mr P Dyini (Woolworhts)

1.3 Fund Officers

- Principal Officer: Mr K Titley (Independent and resigned 31 December 2016)
- Medical Advisor: Dr A Davidson (Independent)
- Fund Manager: Ms J Wolhuter (Woolworhts)

Subsequent changes to the Fund officers after 31 December 2016:

- Mr F de Wit (Independent; appointed as Principal Officer with effect from 1 January 2017)

1.4 Service Providers:

- Actuaries, consultants & investment advisors: Willis Towers Watson (Pty) Ltd
- Administrator: Metropolitan Health Corporate (Pty) Ltd
- Asset managers: Prescient Investment Management (Pty) Ltd & Coronation Asset Management (Pty) Ltd
- Auditors: Ernst & Young Inc.
- Emergency evacuation: Netcare 911(Pty) Ltd
- Managed care: Metropolitan Health Risk Management (Pty) Ltd

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2016 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

1. GOVERNANCE (continued)

1.4 Service Providers (continued):

- Multiply wellness programme: Momentum Interactive (Pty) Ltd
- Network & designated service provider (DSP): CareCross Health (Pty) Ltd

Subsequent changes to the Service Providers after 31 December 2016:

MMI Health (Pty) Ltd was formed from the merger between Metropolitan Holdings (Pty) Ltd, Momentum Holdings (Pty) Ltd and CareCross Health (Pty) Ltd. As from 1 January 2017, a cession document ceded contracts previously held by Metropolitan Health Corporate (Pty) Ltd, Metropolitan Health Risk Management (Pty) Ltd and CareCross Health (Pty) Ltd to MMI Health (Pty) Ltd.

Therefore the following changes to service providers occurred as from 1 January 2017:

Administrator: MMI Health (Pty) Ltd
Managed care: MMI Health (Pty) Ltd
Network & DSP: MMI Health (Pty) Ltd

Agreements with service providers are reviewed annually and are renewable depending on fee negotiations unless notification of termination is provided by either party. All service provider fees are calculated on an arm's length basis on market-related terms.

2. DESCRIPTION OF FUND

2.1 Terms of registration

The Fund is registered in terms of the Medical Schemes Act 131 of 1998 (the Act).

2.2 Fund benefit options

The Fund offers three benefit options with the major difference being the extent of hospital cover and day-to-day cover in respect of general practitioner visits, acute medication, dental care, optical and other health services.

The Core Option is a fully capitated network option providing hospital benefits and comprehensive day-to-day cover through the CareCross Health (Pty) Ltd network of doctors, dentists and optometrists.

The Plus Option provides members with an annual medical allowance (AML) from which to fund day-to-day benefits. The members are responsible for managing their own day-to-day expenses within the AML. Non-prescribed minimum benefit (PMB) hospital benefits are limited to 100% of the Fund's tariff and are subject to an upfront admission fee, except in the case of emergency or PMB admissions. PMB benefits must be obtained via a DSP to ensure full cover of costs incurred.

The Extended Option provides members with an annual medical allowance (AML) from which to fund day-to-day benefits. The Extended Option makes provision for a materially higher AML than the Plus Option, but is more expensive. Non-PMB hospital benefits are limited to 300% of the Fund's tariff while PMB benefits must be obtained via a DSP to ensure full cover of costs incurred.

3. INVESTMENT POLICY OF THE FUND

The Board continues to invest funds in accordance with the requirements of the Act and accompanying regulations, and in line with the relaxation of the limits of investment in equities granted to the Fund by the Registrar of Medical Schemes in 2008. In 2016, the Fund applied for, and was granted, exemption in respect of Section 35 of the Act, which prohibits a medical scheme from holding shares in any medical scheme administrator or any of its participating employers. This application was to facilitate the ownership of such shares at the sole discretion of the Fund's independent third party asset managers, where such managers have full discretionary mandates and where the shares of such portfolios are not held directly in the name of the Fund.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2016 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

3. INVESTMENT POLICY OF THE FUND (CONTINUED)

As at 31 December 2016, the Fund's investible assets were split between the appointed asset managers as follows:

- Prescient Investment Management (Pty) Ltd (Prescient): 62%
- Coronation Asset Management (Pty) Ltd (Coronation): 38%

The Fund's asset managers achieved the following investment returns (before fees) as at 31 December 2016 in respect of the portfolios in which the Fund was invested:

- Prescient: 2016 year: 6.24%, three years: 7.27%, five years: 9.35%
- Coronation: 2016 year: 8.24%, three years: 6.16%, five years*: 9.13%*
- Inflation: 2016 year: 6.76%, three years: 5.76%, five years: 5.67%

[* For comparative purposes only, as Coronation was introduced as an asset manager in 2013]

The Fund's Investment Committee continues to monitor the performance of the Prescient and Coronation portfolios and remain satisfied of the value of retaining the two investment managers.

The Board is advised by Willis Towers Watson, who provide investment consulting services to the Fund, and who monitor the investment returns from the Fund's asset managers against a basket of asset managers who invest assets for other medical schemes.

4. REVIEW OF THE YEAR'S ACTIVITIES

4.1 Operational activities

	2016	2015	% change
Number of members at year end	9 957	9 890	0.68%
Average number of members for the year	9 956	9 641	3.27%
Average contribution per member per month (R)	2 603	2 434	6.94%
Average claims incurred per member per month (R)	2 495	2 307	8.15%
Dependants to member ratio at 31 December	0.95	0.97	-2.06%
Average age of beneficiaries	31	30	3.33%
Pensioner ratio	14.52%	14.67%	-1.02%
Administration costs per member per month (R)	217	209	3.83%
Claims as a percentage of contributions	95.84%	94.78%	1.12%
Administration expenses as a percentage of contributions	8.35%	8.60%	-2.91%
Accumulated funds ratio (solvency ratio) at year end	58.68%	65.00%	-9.72%

4.2 Financial results

The financial results of the Fund are set out in the audited Annual Financial Statements and in the enclosed summary thereof. Copies of the Annual Financial Statements are available from the Fund's Administrator upon written request.

4.3 Net healthcare result per option

The net healthcare result (operating result) per option (before investment income) was as follows:

	2016	2015
	R'000	R'000
Core	293	(13)
Plus	(9 365)	(3 057)
Extended	(3 928)	(6 426)
Total (deficit)	(13 000)	(9 496)

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2016 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

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

4.3 Net healthcare result per option (continued)

Although significant operational deficits (prior to investment income) were experienced on the Plus and Extended options for 2016, the Fund remains in an overall financially sound position.

4.4 Reserves

The Fund's reserving policy remained unchanged for the year, i.e.:

- to maintain the general reserve at 40% of annual contributions (statutory minimum = 25%);
- to maintain the level of the HIV/AIDS reserve in line with the HIV actuarial risk assessments undertaken on behalf of the Fund by Willis Towers Watson (the Fund's actuaries and consultants) from time to time;
- to utilise annual investment growth in excess of the consumer price index (CPI) plus two percentage points to subsidise the operations of the Fund, thereby effectively subsidising member contributions; and
- to regard the balance of the general reserve as a surplus asset reserve to be utilised to cushion the impact of anticipated continuing operating deficits over a rolling 10-year period. This strategy is designed to protect members from the need to impose sudden high contribution increases where an above average deficit is experienced in any one year.

At 31 December, the Fund's reserve position was as follows:

	2016		2015	
	R'million		R'million	
General reserve	124.4	40.0%	112.6	40.0%
HIV reserve	21.5	6.9%	20.9	11.3%
Surplus asset reserve	36.6	11.8%	49.5	13.7%
Total members' funds	<u>182.5</u>		<u>183.0</u>	
Solvency ratio at year end: (% of annual contributions)		<u>58.7%</u>		<u>65.0%</u>

The Board continually monitors the Fund's solvency ratio and has agreed to allow the ratio to reduce gradually towards the 40% general reserve minimum by utilising a portion of reserves to subsidise annual contribution increases. This process is managed by the Fund's actuaries in conjunction with the Board and is reviewed annually.

4.5 Outstanding claims

Movements in the outstanding claims provision are set out in the summarised statement of financial position. There have been no unusual movements in this provision that the Trustees believe should be brought to members' attention.

5. COMMUNICATION TO MEMBERS

The Fund publishes a quarterly newsletter to members, which keeps members up to date with developments in the Fund and the healthcare industry as a whole. A membership communication pack was sent to members at the end of 2016, detailing the benefits and contributions for 2017. In addition, members are encouraged to visit the Fund's website at www.wooltruhealthcarefund.co.za regularly. The site is hosted by the Administrator, and can be used for information relating to the rules of the Fund and other pertinent information.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2016 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

6. HIV/AIDS PROGRAMME

The Fund's HIV Risk Management Programme aims to help affected beneficiaries live longer, healthier and more productive lives. The benefits of this programme include education and personal support from case managers, regular consultations, tests to monitor health and anti-retroviral therapy. The programme is totally confidential and is run independently by Metropolitan Health Risk Management (Pty) Ltd and CareCross Health (Pty) Ltd.

7. INTERESTS OF OFFICE BEARERS

Neither the Trustees nor the Principal Officer have any interests in the companies providing administration, managed care, investment or actuarial consulting services to the Fund.

8. AUDIT COMMITTEE

The Audit Committee was established in accordance with the provisions of the Act. The Committee is mandated by the Board by means of written terms of reference as to its membership, authority and duties. This Committee meets on a regular basis and assists the Board in carrying out its duties relating to the Fund's accounting policies, internal control systems, financial reporting and internal/external auditing.

The Audit Committee was responsible for reviewing the 2016 audited annual financial statements.

9. CONTRIBUTION INCREASES AND BENEFIT REVIEW

Willis Towers Watson, the Fund Actuaries, assists the Board with the Fund's financial planning, investment strategy, reserving requirements and the annual benefit and pricing review. The Board makes decisions after consulting with the Actuaries. The Actuaries attend all the quarterly Board meetings and various committee meetings where required.

10. INDUSTRY DEVELOPMENTS

The Trustees continually monitor developments in respect of all legislative and other matters affecting medical schemes and will initiate appropriate action as and when required. The Fund's advisors and service providers remain close to the action and are well placed to provide the Fund with regular updates on developments within the industry.

11. VOTE OF APPRECIATION

I would like to express my thanks to my fellow Trustees, the Principal Officer, the Fund Manager, the Fund Actuaries, the Medical Advisor, our independent committee members, all our service providers and everyone else involved in ensuring that the Fund continues to meet its objectives. I would also like to thank our outgoing Chairperson, Ms Z Rylands, and our outgoing Principal Officer, Mr K Titley, for their hard work, dedication and many years of devoted service to the Fund.

12. CONCLUSION

The Wooltru Healthcare Fund remains financially sound, and the Trustees are confident that the Fund will continue to serve its members as effectively and fairly as possible by facing up to the challenges thrown at us by the ever-changing South African healthcare environment. I would like to take this opportunity to wish all our members good health for the remainder of 2017 and beyond.



Burger van der Merwe
Chairperson

April 2017

**WOOLTRU HEALTHCARE FUND
SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2016**

INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS

To the members of Wooltru Healthcare Fund

Opinion

The summary financial statements, as set out on pages 25 to 40, which comprise the summary statement of financial position as at 31 December 2016, and the summary statement of comprehensive income, summary statement of changes in members' funds and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Wooltru Healthcare Fund (the Fund) for the year ended 31 December 2016.

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

Summary financial statements

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

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 19 April 2017.

Trustees' responsibility for the summary financial statements

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

Auditor's responsibility

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

Ernst & Young Inc.

Ernst & Young Inc.
Director: Pierre du Plessis
Registered Auditor
Chartered Accountant (S.A.)

16 May 2017

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2016**

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The Wooltru Healthcare 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 ('King III').

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 summarised 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 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.



Ms Z Rylands
Chairperson



Ms S Malander
Trustee



Mr K Titley
Principal Officer

5 May 2017

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2016**

The Board of Trustees hereby presents its report for the year ended 31 December 2016:

Council for Medical Schemes registration number of the Fund: 1293

1. MANAGEMENT

1.1 Board of Trustees (BOT)

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

Employer-appointed Trustees

- Mr R Buddle (term of office ended 29 February 2016)
- Mr C Durham (term of office ended 29 February 2016)
- Ms S Malander (Vice-Chairperson)
- Mr S Pillay (term of office ended 31 December 2016)
- Ms Z Rylands (Chairperson) (term of office ended 31 December 2016)
- Mr I Thompson (appointed 1 March 2016)
- Ms Z Mowzer (appointed 1 March 2016)

Member elected Trustees

- Mr J Gillman (retiree representative)
- Mr A Hector
- Mr S Latta
- Mr T Magagula
- Mr B Tate

Subsequent changes to the composition of the Board of Trustees, after 31 December 2016:

- Mr B van der Merwe (Chairperson) (appointed 1 January 2017)
- Ms Z Mgolodela (appointed 1 January 2017)
- Mr B Tate (resigned 28 February 2017)

1.2 Principal Officer

Mr K Titley (resigned 31 December 2016)

Physical address

15 Croft Road
Constantia
7806

Postal address

15 Croft Road
Constantia
7806

Mr F de Wit (appointed 1 January 2017)

Physical address

67 Gazania Street
Welgemoed
7530

Postal address

67 Gazania Street
Welgemoed
7530

1.3 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

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2016 (continued)**

1. MANAGEMENT (continued)

1.4 Scheme administrator: Metropolitan Health Corporate (Pty) Ltd

Business address	Postal address
Parc du Cap Mispel Road Bellville 7530	PO Box 4313 Cape Town 8000

1.5 Investment managers

Prescient Investment Management (Pty) Ltd

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

Financial services provider number: 2545

Coronation Asset Management (Pty) Ltd

Business address	Postal address
Seventh Floor MontClare Place Cnr Campground and Main Roads Claremont 7708	PO Box 44684 Claremont 7735

Financial services provider number: 548

1.6 Principal participating employers

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

1.7 Auditor: Ernst & Young Inc.

Business address	Postal address
Ernst & Young House 35 Lower Long Street Cape Town 8001	PO Box 656 Cape Town 8000

1.8 Actuaries and investment advisors : Willis Towers Watson

Business address	Postal address
Montclare Place 23 Main Road Level 4 Cape Town 7701	Private Bag X30 Rondebosch 7700

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2016 (continued)**

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:

- Core
- Plus
- Extended.

None of these options have a savings plan.

2.3 Risk transfer arrangements

During 2016, the Fund renewed the risk transfer arrangements with CareCross Health (Pty) Ltd, Metropolitan Health Risk Management (Pty) Ltd and Netcare (Pty) Ltd.

The CareCross arrangement provides all healthcare benefits for beneficiaries registered on the Core Option via specialist and general practitioner networks, and designated service provider networks for the Plus and Extended options.

The Metropolitan Health Risk Management risk transfer arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended options. This arrangement includes a profit-sharing agreement whereby the Fund is entitled to 85% of the profit from the risk transfer arrangement in excess of 5% of the annual capitation premiums. The Fund does not participate in a loss. This agreement has been effective from 1 January 2010 and is currently under review. For the year ended 31 December 2016, an amount of R515 316 (2015: R286 635) was provided for as the profit allocation from this agreement. Refer to Note 8 of the summarised annual financial statements.

The Netcare 911 arrangement covers emergency evacuations from scenes of accidents or sudden illness for the beneficiaries of all options.

2.4 Changes in operating environment

There have been no significant changes in the Fund's operating environment during 2016.

3. REVIEW OF THE YEAR'S ACTIVITIES

3.1 Operational activities

2016

	Core	Plus	Extended	Total
Number of members at year end	898	8 429	630	9 957
Number of beneficiaries at year end	1 337	16 855	1 255	19 447
Average number of members for the year	840	8 470	646	9 956
Average number of beneficiaries for the year	1 279	16 976	1 296	19 551
Dependants to member ratio at year end	0.49	1.00	0.99	0.95

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2016 (continued)**

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

3.1 Operational activities (continued)

2016

	Core	Plus	Extended	Total
Average age of beneficiaries for the year	29	30	47	31
Pensioner ratio (%)	11.80	12.04	51.59	14.52
Risk contributions per average member per month (R)	1 342	2 531	5 180	2 603
Risk contributions per average beneficiary per month (R)	881	1 263	2 584	1 326
Relevant healthcare expenditure as a percentage of risk contributions (%)	87.65	94.77	105.42	95.84
Relevant healthcare expenditure per average member per month (R)	1 176	2 399	5 462	2 495
Relevant healthcare expenditure per average beneficiary per month (R)	772	1 197	2 724	1 270
Amounts paid to Administrator (R)	1 002 595	19 039 463	1 461 769	21 503 827
Average administration cost per member per month (R)				217
Average administration cost per beneficiary per month (R)				111
Administration cost as a percentage of risk contributions (%)	10.20	8.87	4.36	8.35
Average managed care expense per member per month (R)	-	63	63	57
Average managed care expense per beneficiary per month (R)	-	31	31	29
Non-healthcare expenditure as a percentage of risk contributions (%)	10.19	8.87	4.35	8.34
Accumulated funds per member at 31 December (R)				18 326
Realised return on investments as a percentage of investments (%)				6.25
Total return on investments (%)				6.89

2015

	Core	Plus	Extended	Total
Number of members at year end	809	8 391	690	9 890
Number of beneficiaries at year end	1 269	16 837	1 414	19 520
Average number of members for the year	725	8 213	704	9 641
Average number of beneficiaries for the year	1 160	16 546	1 438	19 144
Dependants to member ratio at year end	0.57	1.01	1.05	0.97
Average age of beneficiaries for the year	29	29	45	30
Pensioner ratio (%)	13.96	11.88	49.42	14.67
Risk contributions per average member per month (R)	1 292	2 335	4 763	2 434
Risk contributions per average beneficiary per month (R)	807	1 159	2 332	1 226
Relevant healthcare expenditure as a percentage of risk contributions (%)	88.27	92.18	111.45	94.78
Relevant healthcare expenditure per average member per month (R)	1 140	2 152	5 310	2 307

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2016 (continued)**

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

3.1 Operational activities (continued)

2015 (continued)

	Core	Plus	Extended	Total
Relevant healthcare expenditure per average beneficiary per month (R)	713	1 068	2 600	1 162
Amounts paid to Administrator (R)	998 707	17 281 984	1 494 310	17 775 001
Average administration cost per member per month (R)				209
Average administration cost per beneficiary per month (R)				105
Administration cost as a percentage of risk contributions (%)	11.86	9.15	4.52	8.60
Average managed care expense per member per month (R)	-	62	62	57
Average managed care expense per beneficiary per month (R)	-	31	30	29
Non-healthcare expenditure as a percentage of risk contributions (%)	11.84	9.15	4.52	8.59
Accumulated funds per member at 31 December (R)				18 501
Realised return on investments as a percentage of investments (%)				5.01
Total return on investments (%)				4.10

3.2 Financial results

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

3.3 Solvency ratio

	2016	2015
	R	R
The solvency ratio is calculated on the following basis:		
General reserve	161 011 601	162 047 581
HIV reserve	21 460 353	20 926 283
Revaluation reserve	3 574 566	4 198 687
Total members' funds as per summarised statement of financial position	186 046 520	187 172 551
Less: Revaluation reserve	(3 574 566)	(4 198 687)
Accumulated funds	<u>182 471 954</u>	<u>182 973 864</u>
Contribution income per summarised statement of comprehensive income	310 981 606	281 603 371
Accumulated funds as a percentage of risk contributions	<u>58.68%</u>	<u>64.98%</u>

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

3.3 Solvency ratio (continued)

The solvency ratios for both 2016 and 2015 reflected above were calculated using accumulated funds (including the HIV reserve) as required by the Council for Medical Schemes. The minimum solvency ratio required by the Council for Medical Schemes is 25%. At the Board of Trustees meeting dated 26 August 2003, a decision was taken to maintain a general reserve of not less than 40% of annualised risk contributions.

3.4 Reserve accounts

Movements in the reserves are set out in the summarised statement of changes in funds and reserves on page 27.

The HIV reserve is reviewed every three years and records funding set aside for current and potential future claims related to HIV and AIDS treatment. The last review was done during July 2014.

The revaluation reserve records fair value changes on available-for-sale investments. Changes in the fair value of available-for-sale investments are recognised in the revaluation reserve, as well as in the summarised statement of comprehensive income as other comprehensive income or expenditure, when they are unrealised. Once an available-for-sale investment is sold, the realised portion of the fair value gain or loss is included as other income or expenditure in the summarised statement of comprehensive income.

There have been no 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 claim trends and patterns, and the method of calculation is consistent with that of previous years.

Movements on the outstanding claims provision are set out in Note 6 to the summarised annual financial statements on page 29.

3.6 Liability adequacy test

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

4. INVESTMENT POLICY OF THE FUND

Prescient Investment Management (Pty) Ltd (Prescient) and Coronation Asset Management (Pty) Ltd (Coronation) are the Fund's appointed investment managers. Prescient manages two portfolios for the Fund, namely a money-market portfolio and a positive return portfolio. The Fund invests in compliance with the requirements of the Medical Schemes Act of 1998. In December 2009, the Trustees approved an updated investment policy, increasing the maximum allowable effective exposure to equities from 40% to 50% of the Fund's invested assets. The positive return portfolio managed by Prescient was changed to reflect the increased maximum for the combined effective exposure to equities of 50%. As at 31 December 2016, the effective equity exposure of the positive return portfolio managed by Prescient amounted to 52.79% (2015: 34.8%) of the total amount invested, while the combined total effective equity exposure was 41.57% (2015: 35.33%) of the Fund's invested assets. In January 2013, the Fund invested assets in the positive return portfolio managed by Coronation. This portfolio is pooled across a number of medical schemes and the mandate cannot be customised for one participant. The mandate for the positive return portfolio managed by Coronation limits the effective equity exposure to 40%.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2016 (continued)**

4. INVESTMENT POLICY OF THE FUND (CONTINUED)

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

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

- achieve a return after investment management fees of at least CPI + 2 percentage points per annum for those assets required to meet the Fund's liquidity needs;
- achieve a return after investment management fees of at least CPI + 5 percentage points per annum for those assets not required to meet the Fund's liquidity needs;
- take advantage of market opportunities that will allow those assets not required to meet the Fund's liquidity needs to achieve a return after investment management fees in excess of CPI + 5 percentage points per annum; and
- manage the Fund's investments within a risk constraint that avoids the likelihood of achieving a negative return of more than 5% of the Fund's invested assets over any calendar year.

The Fund's investment strategy is to:

- invest the assets required to meet claim payments and any other obligations the Fund may have in the short term in a cash management portfolio; and
- invest the remainder of the Fund's assets in an absolute (positive) return portfolio.

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 2017 year was set out in a report dated September 2016 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

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

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

The Council for Medical Schemes stipulated, via circular 11 of 2006, that all cases of non-compliance with the Act should be disclosed in the summarised annual financial statements. Refer to Note 14 of the summarised annual financial statements. The following matters are disclosed for information purposes only:

Section 33(2) of the Act - Options not financially sound

Nature and impact

Wooltru Healthcare Fund has obtained approval for the registration of loss-making options from the Registrar in terms of Section 33(2) of the Medical Schemes Act. As per the submission approved by the Registrar, the Extended Option was in a net deficit position of R3 137 326 (2015: R5 732 294) representing 1.0% (2015: 2.0%) of the aggregated risk contribution income of the Fund.

Cause of failure

The Extended 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 7.8% (2015: 14.2%) of the Extended Option's annual risk contribution income for 2016.

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

Section 33(2) of the Act - Options not financially sound (continued)

Corrective action

The Trustees continue to review the financial position of the Extended Option and have considered closing it, but this would place a burden on the rest of the Fund and could mean that the Plus Option members, who comprise 85% of the Fund membership, would have to absorb higher contribution increases in future. It is thus in the interest of the Plus Option members to keep the Extended 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 Scheme. The rules state that contributions should be received no more than three days after they become due. During the 2016 year, there were no instances where contributions at an employer group level were received later than three days after due date. As at 31 December 2016, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R37 282 (2015: R8 421). This amount represents 0.01% (2015: 0.003%) 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 contribution debtors at year end relate to membership changes after initial contributions were raised.

Corrective action

The Fund continually strives to have all membership changes updated before the following contribution run. Due to the nature of membership movement and the communication process between the employers and pension administrators on the one hand and the Administrator on the other, this is not always possible.

Section 35(8)(a) and (c) of the Medical Schemes Act - Investments

Nature and impact

Wooltru Healthcare Fund, through Coronation Asset Management (Pty) Ltd and Prescient Investment Management (Pty) Ltd, holds investments in participating employers as well as holding companies of medical scheme administrators as at 31 December 2016. 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.

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 January 2016 from the Council for Medical Schemes from complying with Section 35(8)(a) and (c), in so far 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 January 2017 and a subsequent application has been submitted for 2017.

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

The Wooltru Healthcare Fund, through the Coronation Pooled Portfolio and the Prescient Positive Return Portfolio, holds the following investments at fair value in participating employers as well as in the holding companies of medical scheme administrators at 31 December 2016:

	2016	2015
	R	R
Discovery Holdings Ltd	235 494	222 872

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2016 (continued)**

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

	2016	2015
	R	R
Liberty Holdings Ltd	189 887	239 015
MMI Holdings Ltd	490 578	667 752
Sanlam Ltd	486 170	208 924
Truworths International Ltd	193 218	297 775
Woolworths Holdings Ltd	771 003	776 667
	<u>2 366 350</u>	<u>2 413 005</u>

Refer to Note 13 for detailed disclosure in terms of related parties. The Fund obtained an exemption from Section 35 (8)(a) & (c) of the Act and is therefore permitted to hold investments in its participating employers and holding companies of medical scheme administrators. Refer to Note 14 for detailed disclosures in terms of non-compliance with the Medical Schemes Act.

9. AUDIT COMMITTEE

An Audit Committee was established on 12 February 2002 in accordance with the provisions of the Act. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee must consist of a minimum of five members of which 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 Committee met on three occasions during the course of the year as follows:

7 April 2016
10 August 2016
27 October 2016.

The Administrator and the External Auditor 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 summarised annual financial statements.

During the year under review, the Audit Committee comprised:

- Mr D Crisp Non-Trustee (appointed as Chairperson from 1 June 2016)
- Mr E Rood Independent (Chairperson until 31 May 2016, resigned 27 October 2016)
- Mr R Buddle Trustee (term of office ended 29 February 2016)
- Mr C Durham Trustee (term of office ended 29 February 2016)
- Ms Z Mowzer (appointed as a Trustee 1 March 2016, prior non-Trustee member)
- Mr I Thompson (appointed 1 March 2016)
- Mr P Dyini Non-Trustee (appointed 1 March 2016)
- Mr R Smit Non-Trustee (appointed 1 April 2016)

10. INVESTMENT COMMITTEE

An Investment Committee was established during 2005. The Investment Committee meets quarterly and the responsibility of the Committee is to advise the Board of Trustees on investment matters. The Investment Committee must comprise of at least four members of whom at least half shall be Trustees. The Investment Committee met on four occasions during 2016 as follows:

- 27 January 2016
- 19 April 2016
- 20 July 2016
- 26 October 2016

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2016 (continued)**

10. INVESTMENT COMMITTEE (CONTINUED)

During the year under review, the Investment Committee comprised:

- | | |
|-----------------|---|
| - Mr R Buddle | Chairperson/Trustee (term of office ended 29 February 2016) |
| - Ms S Malander | Chairperson/Trustee (as from 1 March 2016) |
| - Mr T Magagula | Trustee |
| - Ms A Kirsten | Non-Trustee |
| - Mr C Durham | Trustee (term of office ended 29 February 2016) |
| - Mr I Thompson | (appointed 1 March 2016) |

11. DISPUTES COMMITTEE

A Disputes Committee was established on 23 May 2006 to arbitrate and resolve disputes between members and the Fund. The Disputes Committee consists of three persons who are not Trustees or officers of the Fund in order to ensure independence. The Disputes Committee did not need to meet during 2016.

During the year under review, the Disputes Committee comprised:

- | | |
|------------------------|--|
| - Ms T Sishuba-Mashego | Woolworths Holdings Ltd (resigned 30 January 2016) |
| - Ms H Drabbe | Truworhs International Ltd |
| - Ms A Gale | Woolworths Holdings Ltd |
| - Mr P Dyini | Woolworths Holdings Ltd (appointed 1 March 2016) |

12. BENEFITS COMMITTEE

A Benefits Committee was established during 2008. The Benefits Committee meets at least twice annually and the responsibility of the Committee is to review proposed new benefits and benefit changes and then make appropriate recommendations to the Board of Trustees. The Benefits Committee also acts as a liaison between the employers and the Fund with regards to proposed benefits.

The Benefits Committee met on five occasions during 2016 as follows:

- 19 April 2016
- 23 May 2016
- 21 June 2016
- 20 July 2016
- 29 August 2016.

During the year under review, the Benefits Committee comprised:

- | | |
|-------------------|---|
| - Ms S Malander | Chairperson/Trustee |
| - Mr J Gillman | Trustee |
| - Mr S Latta | Trustee |
| - Mr M Smith | Non-Trustee (term of office ended 29 February 2016) |
| - Mr C du Plessis | Non-Trustee |
| - Ms P Beukes | Non-Trustee |
| - Ms H Drabbe | Non-Trustee (appointed 1 March 2016) |

13. CLINICAL COMMITTEE

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 2016 as follows:

- 2 March 2016
- 4 April 2016
- 11 August 2016
- 12 November 2016.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2016 (continued)**

13. CLINICAL COMMITTEE (CONTINUED)

During the year under review, the Clinical Committee comprised:

- Dr T Davidson Medical Advisor and Chairperson
- Ms J Wolhuter Fund Manager
- Mr S Pillay Trustee (term of office ended 31 December 2016)
- Ms S Malander Trustee
- Mr A Hector Trustee (appointed 25 May 2016)
- Ms A Brandes Fund Administrator's representative
- Mr F Mbumbwa Fund Actuaries' representative
- Dr N van Soelen Fund managed care provider's representative (resigned 31 December 2016)

14. EX GRATIA COMMITTEE

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

The Ex Gratia Committee met once during 2016 on 23 November 2016.

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

- Dr T Davidson Medical Advisor and Chairperson
- Ms J Wolhuter Fund Manager
- Mr B Tate Trustee (resigned 28 February 2017)
- Mr J Gillman Trustee
- Ms A Brandes Fund Administrator's representative
- Ms E Simons Fund Administrator's representative
- Mr F Mbumbwa Fund actuaries' representative

15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE

The following schedule sets out the Board of Trustees and Committee meetings attendances.

Trustee/committee member	Board meetings		Investment Committee meetings		Audit Committee meetings		Benefits Committee meetings		Clinical Committee meetings		Ex gratia Committee meetings	
	Number of meetings for the year		4		3		5		4		1	
<i>Trustees</i>	A	B	A	B	A	B	A	B	A	B	A	B
Mr R Buddle	1	-	1	1	-	-	-	-	-	-	-	-
Mr C Durham	1	-	-	-	1	1	-	-	-	-	-	-
Mr J Gillman	5	5	-	-	-	-	5	3	-	-	1	1
Ms S Malander	5	5	4	3	-	-	5	5	4	4	-	-
Mr S Pillay	5	1	-	-	-	-	-	-	4	-	-	-
Ms Z Rylands	5	3	-	-	-	-	-	-	-	-	-	-
Mr S Latta	5	3	-	-	-	-	5	4	-	-	-	-
Mr T Magagula	5	5	4	4	-	-	-	-	-	-	-	-
Mr B Tate	5	5	-	-	-	-	-	-	-	-	1	1

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2016 (continued)**

15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE (CONTINUED)

Mr A Hector	5	5	-	-	-	-	-	-	2	2	-	-
Mrs Z Mowzer	4	3	-	-	3	3	-	-	-	-	-	-
Mr I Thompson	4	4	3	2	3	3	-	-	-	-	-	-
Principal Officer												
Mr K Titley	5	5	4	4	3	2	-	-	-	-	-	-
Committee members												
Ms J Wolhuter (Clinical/Ex gratia)	-	-	-	-	-	-	-	-	4	4	1	1
Mr A Narshi (Alternate)	1	1	-	-	-	-	-	-	-	-	-	-
Mr R Stephens (Employer representative)	5	3	-	-	-	-	-	-	-	-	-	-
Mr C du Plessis (Employer representative)	5	4	-	-	-	-	-	-	-	-	-	-
Ms A Brandes (Clinical/Ex gratia)	-	-	-	-	-	-	-	-	4	4	1	1
Dr N Van Soelen (Clinical/Ex gratia)	-	-	-	-	-	-	-	-	4	4	-	-
Mr F Mbumbwa (Clinical/Ex gratia)	-	-	-	-	-	-	-	-	4	4	1	1
Dr T Davidson (Clinical/Ex gratia)	-	-	-	-	-	-	-	-	4	4	1	1
Mr P Dyini (Audit)	-	-	-	-	3	1	-	-	-	-	-	-
Mr E Rood (Audit)	-	-	-	-	3	3	-	-	-	-	-	-
Mr D Crisp (Audit)	-	-	-	-	3	2	-	-	-	-	-	-
Ms A Kirsten (Investment)	-	-	4	3	-	-	-	-	-	-	-	-
Mr R Smit (Audit)	-	-	-	-	3	1	-	-	-	-	-	-
Ms H Drabbe (Benefits)	-	-	-	-	-	-	5	4	-	-	-	-
Ms P Beukes (Benefits)	-	-	-	-	-	-	5	2	-	-	-	-

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

B: Actual number of meetings attended

16. MANAGEMENT OF INSURANCE RISK

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

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management as well as the monitoring of emerging issues. In addition to this, certain risks are mitigated by entering into risk transfer arrangements as set out in paragraph 2.3 on page 15.

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Notes	2016 R	2015 R
ASSETS			
Non-current assets			
Available-for-sale investments	9	66 912 490	82 473 236
Current assets			
Trade and other receivables		4 002 209	2 004 987
Available-for-sale investments	9	98 096 681	88 449 306
Cash and cash equivalents		34 743 252	27 426 357
Total assets		203 754 632	200 353 886
FUNDS AND LIABILITIES			
Members' funds			
General reserve		161 011 601	162 047 581
Revaluation reserve		3 574 566	4 198 687
HIV reserve		21 460 353	20 926 283
Current liabilities			
Trade and other payables		8 271 091	678 704
Outstanding claims provision	6	9 437 021	12 502 631
Total funds and liabilities		203 754 632	200 353 886

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	2016 R	2015 R
Risk contribution income		310 981 606	281 603 371
Relevant healthcare expenditure		(298 033 177)	(266 896 207)
Net claims incurred	7	(291 122 458)	(258 515 547)
Risk claims incurred		(291 380 655)	(258 767 054)
Third-party claim recoveries		258 197	251 507
Accredited managed healthcare expenses		(6 858 049)	(6 593 789)
Net expense on risk transfer arrangements	8	(52 670)	(1 786 871)
Premiums paid on risk transfer arrangements		(24 135 831)	(22 286 003)
Recoveries received on risk transfer arrangements		24 083 161	20 499 132
Gross healthcare result		12 948 429	14 707 164
Administration and other expenses		(25 957 484)	(24 213 680)
Net impairment gains on trade and other receivables		8 969	10 297
Net healthcare result		(13 000 086)	(9 496 219)
Other income		13 226 947	11 999 972
Investment income	10	12 193 963	11 580 687
Net realised gains on available-for-sale investments	11	1 027 979	408 659
Sundry income		5 005	10 626
Other expenditure		(728 771)	(2 050 222)
Investment management fees		(728 771)	(2 050 222)
Net (deficit)/surplus for the year		(501 910)	453 531
Other comprehensive income			
Items that will be reclassified to surplus or deficit on realisation			
Net unrealised gains/(losses) on revaluation of available-for-sale investments		403 858	(3 585 140)
Net realised losses on available-for-sale investments recognised as other expenditure		(1 027 979)	(408 659)
Total comprehensive loss for the year		(1 126 031)	(3 540 268)

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2016

	R	R	R	R
	General reserve	Revaluation reserve	HIV reserve	Members' funds
Balance at 1 January 2015	162 262 697	8 192 486	20 257 636	190 712 819
Surplus for the year	453 531	-	-	453 531
Unrealised losses on revaluation of available-for- sale investments*	-	(3 585 140)	-	(3 585 140)
Net realised gains on available-for-sale investments recognised as other income*	-	(408 659)	-	(408 659)
Transfer to HIV reserve	(668 647)	-	668 647	-
Balance at 1 January 2016	162 047 581	4 198 687	20 926 283	187 172 551
Deficit for the year	(501 910)	-	-	(501 910)
Unrealised gains on revaluation of available-for- sale investments*	-	403 858	-	403 858
Net realised gains on available-for-sale investments recognised as other income*	-	(1 027 979)	-	(1 027 979)
Transfer to HIV reserve	(534 070)	-	534 070	-
Balance at 31 December 2016	161 011 601	3 574 566	21 460 353	186 046 520

The Fund's policy is to maintain a solvency ratio above 40% and a general reserve of not less than 40% of annualised risk contribution income. The Medical Schemes Act requires the Fund to maintain a solvency ratio of no less than 25%.

* These items are classified as 'other comprehensive income' in the summarised statement of comprehensive income.

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Notes	2016 R	2015 R
(Deficit)/surplus for the year		(501 910)	453 531
Adjustments for:			
- Interest income on available-for-sale financial assets	10	(9 905 851)	(8 629 182)
- Dividend income on available-for-sale financial assets	10	(1 159 949)	(2 273 253)
- Interest income on cash and cash equivalents	10	(1 128 163)	(678 252)
- Management fees and bank charges	9	728 771	2 063 021
- Net realised gains on available-for-sale investments	11	(1 027 979)	(408 659)
- Net impairment gains on trade and other receivables		(8 969)	(10 297)
CASH FLOWS FROM OPERATING ACTIVITIES		(13 004 050)	(9 483 091)
(Increase)/decrease in net trade and other receivables		(1 907 125)	1 128 554
Increase in trade and other payables		7 592 387	67 483
Decrease in outstanding claims provision		(3 065 610)	(339 085)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(10 384 397)	(8 626 138)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on cash and cash equivalents	10	1 128 163	678 251
Additions to available-for-sale investments	9	(196 631 070)	(53 718 701)
Disposals of available-for-sale investments	9	213 204 200	72 218 704
NET CASH INFLOW FROM INVESTING ACTIVITIES		17 701 293	19 178 254
NET INCREASE IN CASH AND CASH EQUIVALENTS		7 316 896	10 552 116
Cash and cash equivalents at beginning of the year		27 426 357	16 874 241
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		34 743 253	27 426 357

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2016

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the summarised annual financial statements are consistent with those used in the preparation of annual financial statements.

1.1 Basis of preparation

The summarised annual financial statements comply with IAS 34 Interim Financial Reporting. These summarised annual financial statements do not contain all the information and disclosures required in the annual financial statements, which comply with International Financial Reporting Standards.

2. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

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

3. CONTINGENT LIABILITIES

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees, suretyships or alike at 31 December 2016.

4. CONTINGENT ASSET

At year end, claims amounting to R6 354 370 (2015: R3 865 240) had been lodged with the Road Accident Fund relating to past medical expenses already paid, with the potential recovery value of R5 274 127 (2015: R3 208 149).

5. AUDITED ANNUAL FINANCIAL STATEMENTS

The audited annual financial statements can be obtained from the Fund's registered office or postal address as indicated below:

Business address

Wooltru Healthcare Fund
 Building 6, Parc du Cap
 Bellville
 7530

Postal address

Wooltru Healthcare Fund
 PO Box 15403
 Vlaeberg
 8018

6. OUTSTANDING CLAIMS PROVISION

	R	R
	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
2016		
Outstanding claims provision	622 131	8 814 890
Provision arising from liability adequacy test	-	-
	<u>622 131</u>	<u>8 814 890</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	789 769	11 712 862
Payments in respect of prior year	(789 769)	(12 129 296)
Under provision in respect of prior year	-	(416 434)
Adjustment for current year	622 131	9 231 324
Balance at end of year	<u>622 131</u>	<u>8 814 890</u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2016 (continued)

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Analysis of outstanding claims provision

Estimated gross claims	-	8 814 890
Outstanding claims provision relating to risk transfer arrangements	622 131	-
Balance at end of year	<u>622 131</u>	<u>8 814 890</u>

Total outstanding claims provision at end of year 9 437 021

2015

Outstanding claims provision	789 769	11 712 862
Provision arising from liability adequacy test	-	-
	<u>789 769</u>	<u>11 712 862</u>

Analysis of movements in outstanding claims

Balance at beginning of year	1 015 603	11 826 113
Payments in respect of prior year	(1 015 603)	(12 076 682)
Under provision in respect of prior year	-	(250 569)
Adjustment for current year	789 769	11 963 431
Balance at end of year	<u>789 769</u>	<u>11 712 862</u>

Analysis of outstanding claims provision

Estimated gross claims	-	11 712 862
Outstanding claims provision relating to risk transfer arrangements	789 769	-
Balance at end of year	<u>789 769</u>	<u>11 712 862</u>

Total outstanding claims provision at end of year 12 502 631

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, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from managed care: management services and historical evidence of the size of similar claims. The 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.

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivities (continued)

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 claim reserving procedures);
- economic, legal, political and social trends (resulting in different than expected levels of inflation and/or minimum medical benefits to be provided);
- changes in composition of membership and their dependents; and
- random fluctuations, including the impact of large losses.

Assumptions

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

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

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

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

	2016	2015
Claims outstanding for:	%	%
December	8%	8%
November	3%	3%
October	1%	1%
September	1%	0%
August and prior	0%	0%

Changes in assumptions and sensitivities to changes in key variables

The table overleaf 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.

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 summarised statement of financial position is adequate.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2016 (continued)

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivities (continued)

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

However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

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

	Change in liability 2016	Change in liability 2015
	R	R
Effect of a 1 percentage point change in all the assumed percentages	1 008 247	923 442
Effect of a 2 percentage point change in all the assumed percentages	2 038 131	1 866 826
Effect of a 3 percentage point change in all the assumed percentages	3 089 704	2 830 004

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

7. NET CLAIMS INCURRED

	2016	2015
	R	R
Claims incurred, excluding claims incurred in respect of risk transfer arrangements		
Current year claims	258 177 103	226 512 495
Movement in outstanding claims provision	9 231 324	11 963 431
- Under/(over) provision in prior years	416 434	250 569
- Year-end provision	8 814 890	11 712 862
Less:		
- Discount received on claims	(110 933)	(208 004)
	267 297 494	238 267 922
Claims incurred in respect of risk transfer arrangements		
Current year claims	23 461 030	19 709 363
Year-end provision	622 131	789 769
	24 083 161	20 499 132
Third-party claim recoveries		
Recoveries from the Road Accident Fund	(258 197)	(251 507)
	(258 197)	(251 507)
TOTAL NET CLAIMS INCURRED	291 122 458	258 515 547

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2016 (continued)

8. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS

	2016	2015
	R	R
Premiums paid		
- Metropolitan Health Risk Management (Pty) Ltd	12 422 292	11 644 102
- Metropolitan Health Risk Management (Pty) Ltd risk transfer arrangement profit share	(515 316)	(286 635)
- Under provision on prior year risk transfer arrangement profit share	(386 746)	(290)
- CareCross Health (Pty) Ltd	11 852 816	9 920 018
- Netcare 911 (Pty) Ltd	762 785	1 008 808
	<u>24 135 831</u>	<u>22 286 003</u>
Recoveries received	(24 083 161)	(20 499 132)
- Metropolitan Health Risk Management (Pty) Ltd	(11 326 073)	(10 282 962)
- CareCross Health (Pty) Ltd	(11 433 318)	(9 305 298)
- Netcare 911 (Pty) Ltd	(1 323 770)	(910 872)
	<u>52 670</u>	<u>1 786 871</u>

Overview of terms and conditions of risk transfer agreements:

The Fund entered into a risk transfer arrangement with CareCross Health (Pty) Ltd. The arrangement provides all healthcare benefits for beneficiaries registered on the Core Option via specialist, and general practitioner networks and DSP networks for the Plus and Extended options.

The Metropolitan Health Risk Management (Pty) Ltd risk transfer arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended options. This arrangement includes a profit-sharing agreement whereby the Fund is entitled to 85% of the profit from the risk transfer arrangement in excess of 5% of the annual capitation premiums. In the case of a loss on the risk transfer arrangement the Fund bears no portion of such loss.

The Netcare 911 arrangement covers emergency evacuations from scenes of accident or sudden illness for the beneficiaries of all options.

9. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	R	R
Fair value at the beginning of the year	170 922 542	184 272 087
Additions	196 631 070	53 718 701
Disposals	(213 204 200)	(72 218 704)
Unrealised gains/(losses) on revaluation of available-for-sale investments	403 858	(3 585 140)
Investment income on available-for-sale investments	11 065 800	10 902 435
Movement in accrued income	(81 128)	(103 816)
Management fees and bank charges	(728 771)	(2 063 021)
Fair value at the end of the year	<u>165 009 171</u>	<u>170 922 542</u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2016 (continued)

9. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

	2016	2015
	R	R
Non-current	66 912 490	82 473 236
Current	98 096 681	88 449 306
	<u>165 009 171</u>	<u>170 922 542</u>

The available-for-sale investments are held in a segregated portfolio with Prescient Investment Management (Pty) Ltd, as well as a pooled portfolio with Coronation Asset Management (Pty) Ltd, which portfolios comprise the following assets:

	2016	2015
	R	R
Bonds	15 873 819	24 252 031
Equity	47 374 714	53 267 636
Money market instruments	101 760 638	93 402 875
	<u>165 009 171</u>	<u>170 922 542</u>

The investments included above are administered by Prescient Investment Management (Pty) Ltd and Coronation Asset Management (Pty) Ltd. The fair values of these investments are based on market value at 31 December 2016.

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

10. INVESTMENT INCOME

	2016	2015
	R	R
Interest income on available-for-sale financial assets	9 905 851	8 629 182
Dividend income on available-for-sale financial assets	1 159 949	2 273 253
Interest income on cash and cash equivalents	1 128 163	678 252
	<u>12 193 963</u>	<u>11 580 687</u>

11. NET REALISED GAINS ON AVAILABLE-FOR-SALE

FINANCIAL ASSETS

	2016	2015
	R	R
Realised gains on available-for-sale financial assets	22 454 312	6 302 608
Equity and derivatives	7 079 190	5 010 920
Bonds	1 853 616	197 669
Money-market instruments	13 521 506	1 094 019
Realised losses on available-for-sale financial assets	(21 426 333)	(5 893 949)
Equity and derivatives	(5 997 555)	(2 227 366)
Bonds	(1 963 630)	(151 420)
Money-market instruments	(13 465 148)	(3 515 163)
	<u>1 027 979</u>	<u>408 659</u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2016 (continued)

12. SURPLUS/(DEFICIT) PER BENEFIT OPTION

For management purposes, the Fund is organised into three benefit options - Core Option, Plus Option and Extended Option.

2016	CORE	PLUS	EXTENDED	TOTAL
	R	R	R	R
Risk contribution income	13 523 552	257 267 074	40 190 980	310 981 606
Relevant healthcare expenditure	(11 852 816)	(243 811 543)	(42 368 818)	(298 033 177)
Net claims incurred	(11 470 727)	(235 986 536)	(43 665 195)	(291 122 458)
Managed care:				
Management services	-	(6 371 768)	(486 281)	(6 858 049)
Net (expense)/income on risk transfer arrangements	(382 089)	(1 453 239)	1 782 658	(52 670)
Gross healthcare result	1 670 736	13 455 531	(2 177 838)	12 948 429
Administrative expenses	(1 378 997)	(22 827 833)	(1 750 654)	(25 957 484)
Impairment losses on trade and other receivables	855	7 733	381	8 969
Net healthcare result	292 594	(9 364 569)	(3 928 111)	(13 000 086)
Other income	1 192 910	11 197 141	836 896	13 226 947
Investment income	1 099 747	10 322 679	771 537	12 193 963
Net realised gains on available-for-sale investments	92 712	870 225	65 042	1 027 979
Sundry income	451	4 237	317	5 005
Other expenditure	(65 726)	(616 933)	(46 111)	(728 771)
Investment management fees	(65 726)	(616 933)	(46 111)	(728 771)
Surplus/(deficit) for the year	1 419 778	1 215 638	(3 137 326)	(501 910)
2015	CORE	PLUS	EXTENDED	TOTAL
	R	R	R	R
Risk contribution income	11 238 274	230 115 956	40 249 141	281 603 371
Relevant healthcare expenditure	(9 920 017)	(212 118 745)	(44 857 445)	(266 896 207)
Net claims incurred	(9 385 045)	(203 191 033)	(45 939 469)	(258 515 547)
Managed care:				
Management services	-	(6 073 070)	(520 719)	(6 593 789)
Net (expense)/income on risk transfer arrangements	(534 972)	(2 854 642)	1 602 743	(1 786 871)
Gross healthcare result	1 318 257	17 997 211	(4 608 304)	14 707 164
Administrative expenses	(1 332 339)	(21 062 850)	(1 818 491)	(24 213 680)
Impairment losses on trade and other receivables	1 462	8 502	333	10 297

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2016 (continued)

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

2015 (continued)	CORE	PLUS	EXTENDED	TOTAL
	R	R	R	R
Net healthcare result	(12 620)	(3 057 137)	(6 426 462)	(9 496 219)
Other income	981 595	10 181 169	837 207	11 999 972
Investment income	947 298	9 825 434	807 955	11 580 687
Net realised gains on available-for-sale investments	33 428	346 720	28 511	408 659
Sundry income	869	9 016	741	10 626
Other expenditure	(167 708)	(1 739 476)	(143 039)	(2 050 222)
Investment management fees	(167 708)	(1 739 476)	(143 039)	(2 050 222)
Surplus/(deficit) for the year	801 268	5 384 556	(5 732 294)	453 531

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.

13. RELATED PARTY TRANSACTIONS

Related party relationships

Parties with significant 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, but do not control the Fund.

Metropolitan Health Corporate (Pty) Ltd (MHC) has significant influence over the Wooltru Healthcare Fund, as MHC provides financial and operational information on which policy decisions are based, but does not control the Fund. MHC provides administration services.

Managed healthcare organisation, Metropolitan Health Risk Management (Pty) Ltd (MHRM), a wholly-owned subsidiary of MHC, has significant influence over the Wooltru Healthcare Fund as managed care provider, but does not control the Fund.

Willis Towers Watson 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, but does not control the Fund.

Prescient Investment Management (Pty) Ltd (Prescient), 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, but does not control the Fund.

Coronation Asset Management (Pty) Ltd (Coronation), 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, but does not control the Fund.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2016 (continued)

13. RELATED PARTY TRANSACTIONS

Related party relationships (continued)

Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund. Key management personnel include the Board of Trustees, the Principal Officer and members of various committees. The disclosure deals with all the Fund's officers, some of which are compensated by the Fund on a fee or remuneration contribution basis (Principal Officer, Fund Manager and Medical Advisor) and some of which are compensated on an attendance basis (retiree representative on the Board of Trustees 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 table below provides the total amount of transactions, which have been entered into with related parties, for the relevant financial year.

Key management personnel

	2016	2015
	R	R
<i>Compensation</i>		
Principal Officer's fees	614 568	583 080
Contribution towards Fund Manager's remuneration	352 776	332 356
Medical Advisor's fees	538 541	510 948
Trustees' and committee members' remuneration	<u>97 520</u>	<u>89 900</u>
	<u>1 603 405</u>	<u>1 516 284</u>

Contributions and claims in respect of key management personnel who are members of the Fund

Summarised statement of comprehensive income

Risk contributions received	666 473	537 456
Claims incurred	452 139	367 723
Catering fees Woolworths (Pty) Ltd	27 239	15 720
Catering fees due to Woolworths (Pty) Ltd	-	(2 444)
Available-for-sale investments	964 221	1 074 442

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.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2016 (continued)

13. RELATED PARTY TRANSACTIONS (CONTINUED)

	2016	2015
	R	R
<i>Other transactions</i>		
Transactions with entities that have significant influence over the Fund		
Summarised statement of comprehensive income		
Administration fees paid to MHC	21 503 827	19 775 001
Managed healthcare fees and capitation premiums paid to MHRM	18 464 692	17 477 846
Claims recoveries from MHRM	(11 326 073)	(10 282 962)
Capitation agreement profit share allocation from MHRM	(515 316)	(286 635)
Under provision on prior year risk transfer arrangement profit share	(386 746)	(290)
Investment management fees paid to Prescient and Coronation	728 771	2 050 222
Actuarial fees paid to Willis Towers Watson	1 244 333	1 180 584
Summarised statement of financial position		
Actuarial fees due to Willis Towers Watson	(103 694)	(196 764)
Provision for risk transfer agreement profit share due from MHRM	515 316	286 635
Claims recoveries due	507 219	-
Share of outstanding claims provision MHRM	-	(189 898)
Available-for-sale-investments	490 571	667 752

Terms and conditions of the administration agreement

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

Terms and conditions of the managed healthcare agreement

The managed healthcare agreement with MHRM 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 Prescient investment management contract

The investment management contract with Prescient 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 a day's notice. Fees are calculated on an arm's length basis on market related terms. Performance fees are payable if certain investment performance benchmarks are achieved, but cannot be less than R nil.

Terms and conditions of the Coronation investment management contract

The investment management contract with Coronation 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 a day's notice. Fees are calculated on an arm's length basis on market related terms. Performance fees are payable if certain investment performance benchmarks are achieved, but cannot be less than R nil.

13. RELATED PARTY TRANSACTIONS (CONTINUED)

Terms and conditions of the actuarial, clinical review and investment consulting agreement

The actuarial, clinical review and investment consulting agreement with Willis Towers Watson 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.

14. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 131 OF 1998 (the Act)

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 summarised annual financial statements. The following matters are accordingly disclosed:

Section 33(2) of the Act - Options not financially sound

Nature and impact

Wooltru Healthcare Fund has obtained approval for the registration of loss-making options from the Registrar in terms of Section 33(2) of the Medical Schemes Act. As per the submission approved by the Registrar, the Extended Option was in a net deficit position of R3 137 326 (2015: R5 732 294) representing 1.0% (2015: 2.0%) of the aggregated risk contribution income of the Fund.

Cause of failure

The Extended 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 7.8% (2015: 14.2%) of the Extended Option's annual risk contribution income for 2016.

Corrective action

The Trustees continue to review the financial position of the Extended Option and have considered closing it, but this would place a burden on the rest of the Fund and could mean that the Plus Option members, who comprise 85% of the Fund membership, would have to absorb higher contribution increases in future. It is thus in the interest of the Plus Option members to keep the Extended Option available. The Trustees are satisfied that as a whole the Fund is financially sound.

14. NON COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 131 OF 1998 (the Act) (CONTINUED)

Section 26(7) of the Act - Contributions received after three days of it 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 scheme. The rules state that contributions should be received no more than three days after they become due. During the 2016 year, there were no instances where contributions at an employer group level were received later than three days after due date. As at 31 December 2016, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R37 282 (2015: R8 421). This amount represents 0.01% (2015: 0.003%) 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 contribution debtors at year end relate to membership changes after initial contributions were raised.

Corrective action

The Fund continually strives to have all membership changes updated before the following contribution run. Due to the nature of membership movement, and the communication process between the employers and pension administrators on the one hand and the Administrator on the other, this is not always possible.

14. NON COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 131 OF 1998 (the Act) (CONTINUED)

Section 35(8)(a) and (c) of the Medical Schemes Act - Investments

Nature and impact

Wooltru Healthcare Fund, through Coronation Asset Management (Pty) Ltd and Prescient Investment Management (Pty) Ltd, holds investments in participating employers as well as holding companies of medical scheme administrators as at 31 December 2016. 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.

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 January 2016 from the Council for Medical Schemes from complying with Section 35(8)(a) and (c), in so far 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 January 2017 and a subsequent application has been submitted for 2017.

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 Trustees/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 Board of Trustees:

Chairperson of the Board of Trustees

Vice-Chairperson of the Board of Trustees

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

ANNEXURE 1

2017 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	Per meeting fee*
Member-elected Trustee (not a full-time employee)	R8 652 per meeting
Independent Chairperson – Audit Committee	R10 378 per meeting
Independent member – Audit Committee, Benefit Committee and Investments Committee	R20 000 retainer fee per quarter

