



**NOTICE IS HEREBY GIVEN THAT THE FIFTY-EIGHTH ANNUAL GENERAL MEETING (AGM) OF THE WOOLTRU HEALTHCARE FUND WILL BE HELD AT THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 23 JULY 2024 AT 12:00**

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## **AGENDA**

1. Chairperson's welcome to members
2. To read the Notice convening the Annual General Meeting
3. To approve the Minutes of the Annual General Meeting held on 26 July 2023
4. To present the Chairperson's Report for the year ended 31 December 2023
5. To adopt the Report of the Board of Trustees for the year ended 31 December 2023
6. To adopt the Independent Auditor's Report for the year ended 31 December 2023
7. To adopt the Annual Financial Statements for the year ended 31 December 2023
8. To appoint the Auditors for the ensuing year
9. To approve the Trustee and Committee Member Remuneration Policy for the 2024 calendar year
10. General

By order of the Board

**FRANCOIS DE WIT  
PRINCIPAL OFFICER**

**MINUTES OF THE FIFTY-SEVENTH ANNUAL GENERAL MEETING (AGM) OF THE MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON WEDNESDAY, 26 JULY 2023 AT 12:00**

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- **PRESENT:** 40 members were represented in person and one proxy was received.
- **APOLOGIES:** None

**1. OPENING AND WELCOME**

The Chairperson opened the meeting and welcomed those present. He requested that all in attendance sign the attendance register.

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

**2. NOTICE OF THE MEETING**

The Notice convening the Annual General Meeting (AGM), which was confirmed as having been circulated timeously to all members, was taken as read. The meeting proceeded as per the published Agenda.

**3. CONFIRMATION OF MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 27 JULY 2022**

The minutes of the AGM held on 27 July 2022 were noted, and there were no amendments or corrections required.

Mr Thompson proposed that the Minutes of the 2022 Annual General Meeting be approved and adopted. Mr Fergus seconded the proposal, which was then unanimously adopted.

The Minutes of the fifty-sixth Annual General Meeting, held on 27 July 2022, will be signed by Mr van der Merwe, who chaired the meeting, and the Principal Officer as a true record of the proceedings.

No matters arising from the Minutes of the 2022 Annual General Meeting were raised for further discussion.

**4. REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2022**

The Annual Report of the Board of Trustees for the year ended 31 December 2022, having been circulated, was taken as read. The Chairperson highlighted the year-end membership numbers at 9 461 and beneficiaries at 17 080. He invited those in attendance to raise any questions or points requiring clarity. No queries were raised.

As proposed by Mr Thompson and seconded by Mr Paulse, the Annual Report of the Board of Trustees was duly adopted.

**5. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2022**

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

**6. AUDITED ANNUAL FINANCIAL STATEMENTS (AFS) FOR THE YEAR ENDED 31 DECEMBER 2022**

The Annual Financial Statements (AFS) for the year ended 31 December 2022 were circulated prior to the meeting and taken as read.

The Chairperson invited members to raise any concerns or queries regarding the Annual Financial Statements. He pointed out that the Fund's reserves had increased from 53% at the end of 2021 to 55% at the end of 2022. Even though well within the 25% required as a minimum by the Council for Medical Schemes (CMS), the Fund has an internal target of 60% and will need to manage its finances carefully to build back its reserves to this level. No queries were raised.

The Chairperson expressed appreciation to the Administrator, Momentum Health Solutions (MHS), the Fund's Auditors, PricewaterhouseCoopers (PwC) and the Audit Committee for the preparation and review of the Annual Financial Statements.

Mr Thompson proposed that the audited Annual Financial Statements for the year ended 31 December 2022 be adopted and the proposal was seconded by Ms Barker.

**MINUTES OF THE FIFTY-SEVENTH ANNUAL GENERAL MEETING (AGM) OF THE MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON WEDNESDAY, 26 JULY 2023 AT 12:00 (CONTINUED)**

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**7. APPOINTMENT OF THE AUDITORS FOR THE ENSUING YEAR**

The Chairperson confirmed that the Audit Committee had proposed to the Board of Trustees that the Fund renew the appointment of PricewaterhouseCoopers (PwC) as the external auditors to the Fund for the financial year ending 31 December 2023.

Mr Thompson proposed that the appointment of PwC as the External Auditors to the Fund for the financial year ending 31 December 2023 be approved and adopted. Ms Malander seconded the proposal, which was unanimously adopted.

**8. TRUSTEE REMUNERATION POLICY**

The Fund's Remuneration Policy in respect of Independent Trustees and Committee Members, having been circulated, was presented to the meeting.

Ms Wata proposed that the 2023 Remuneration Policy in respect of Trustees and Committee Members be approved, adopted and electronically signed. Ms McTavish seconded the proposal, which was unanimously adopted.

**9. GENERAL**

In terms of the Rules of the Fund, any motions to serve before the AGM need to be submitted to the Fund no later than seven (7) days prior to the meeting.

No motions were received from members.

The Chairperson advised that members could direct administration-related queries to Ms Brandes from the Administrator, who attended the meeting.

The Chairperson expressed a special word of thanks to the Board of Trustees for their ongoing commitment and effort, to Mr Francois de Wit, the Principal Officer of the Fund, to Ms Alison Brandes and the Administrator, Momentum Health Solutions and team for their ongoing support, Dr Tony Davidson, the Medical Advisor to the Fund, to Mr Gary Scott (Fund Actuary) and to the Audit Committee members for their work and effort to ensure that the Annual Financial Statements were correct and submitted timeously.

**10. CLOSURE OF MEETING**

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

**APPROVED AND SIGNED THIS \_\_\_\_ DAY OF \_\_\_\_\_ 2024.**

\_\_\_\_\_  
**CHAIRPERSON**

\_\_\_\_\_  
**PRINCIPAL OFFICER**

**WOOLTRU HEALTHCARE FUND  
ANNUAL REPORT and ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 DECEMBER 2023**

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## CHAIRPERSON'S REPORT

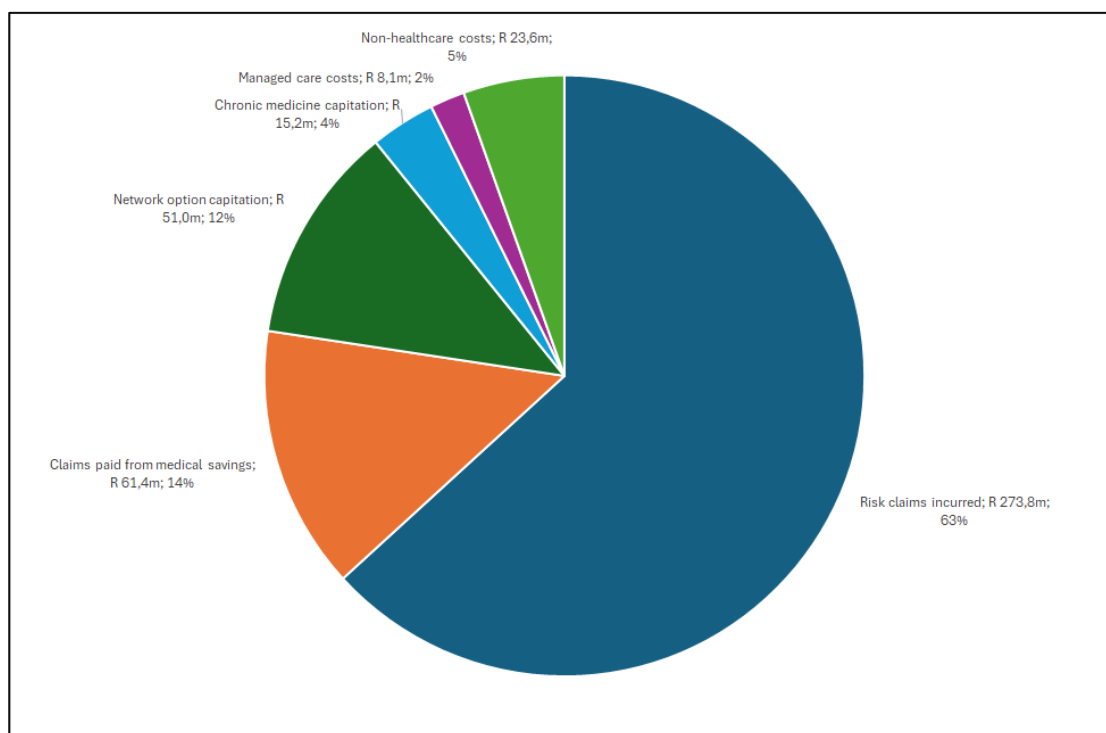
As Chairperson of the Board of Trustees ('the Board') of the Wooltru Healthcare Fund ('the Fund'), I have pleasure in presenting the Board's Report for the year ended 31 December 2023.

The 2023 financial year yielded a very challenging result, mainly driven by an escalation in high-cost cases, with the reserve ratio dipping to 44.59% compared to a range of 54-58% over the last five years. The insurance service result (before other income and other expenditure) for the year amounted to a loss of R44.5 million (2022: R4.05 million profit). This result can be broken down across the three benefit options as follows:

- The Network Option yielded an insurance service profit of R7.66 million (2022: R6 million profit).
- The Saver Option yielded an insurance service loss of R34.69 million (2022: R1.1 million profit).
- The Comprehensive Option reflected an insurance service loss of R17.46 million (2022: R3.05 million loss).

Investment returns (net of fees) yielded R26.58 million for the year (2022: R19.39 million). The 2022 comparatives have been restated as a result of changes in significant Accounting Policies due to the adoption of IFRS 17. Refer to Note 1.1 on standards that are effective on or after 1 January 2023 for detailed changes in significant Accounting Policies and the transition Note 34 to the Fund's Annual Financial Statements.

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



Source: NMG Consultants and Actuaries

Insurance contract liabilities to future members as at 31 December 2023 were R189.85 million (2022: R223.99 million), while the solvency ratio of 44.6% (2022: 54.89%) continues to compare favourably against the statutory minimum solvency level of 25%.

Contributions to the Fund were increased with effect from 1 January 2023 by 7% on average for the Network Option, 7.9% for the Saver Option and 9.9% for the Comprehensive Option.

Whilst claims patterns in 2023, specifically high-cost claims, put financial strain on the Fund, the Fund remains financially sound and is well positioned to meet its future challenges. The Board is in the process of reviewing the Fund's benefit and contribution structures to ensure that it remains relevant and financially viable in the medium to long term. Medical inflation is 2-3% higher than CPI and these increases are becoming more of a burden to our members, in an economic climate of low growth and high interest rates.

**WOOLTRU HEALTHCARE FUND  
CHAIRPERSON'S REPORT  
for the year ended 31 DECEMBER 2023 (CONTINUED)**

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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 2023 were:

**1.1 Board of Trustees**

<b>Employer appointed</b>	<b>Member elected</b>
Mr B van der Merwe (Chairperson)	Mr G Fergus
Ms S Malander (Vice-Chairperson)	Mr A Hector
Mr I Thompson	Ms A McTavish
Ms Z Mowzer	Mr G Teixeira
Mr Y Mvula	Ms B Wata

All serving member-elected Trustees were duly elected in terms of the Rules of the Fund.

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 its valued 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	Mr I Thompson (Trustee)
Disputes Committee		Mr L Motofo (Woolworths)
		Ms S Proudfoot (Truworths)
		Mr M van Buuren (Woolworths)

**1.3 Fund Officers**

Principal Officer	Mr F de Wit (Independent)
Medical Advisor	Dr A Davidson (Independent)

**1.4 Service providers**

Actuaries, consultants and investment advisors	NMG Consultants & Actuaries (Pty) Ltd
Administrator	Momentum Health Solutions (Pty) Ltd
Investment Managers	Allan Gray Life Limited
	Sanlam Investment Management (Pty) Ltd
	Nedgroup Investments
	Ninety One Fund Managers (SA) (RF) (Pty) Ltd
Auditors	PricewaterhouseCoopers Inc. (PwC)
Emergency evacuation	Netcare 911 (Pty) Ltd
Managed care	Momentum Health Solutions (Pty) Ltd
Network and designated service provider (DSP) manager	Momentum Health Solutions (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 THE 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 and day-to-day cover in respect of general practitioner visits, acute medication, dental care, optical and other healthcare services.

The **Network Option** is a fully capitated, network-based benefit option providing hospital benefits and comprehensive day-to-day cover through the Momentum Health Solutions network of doctors, dentists, optometrists, pharmacies and hospitals.

The **Saver Option** provides members with a medical savings account (MSA) from which to pay day-to-day benefits. Members are responsible for managing their own day-to-day expenses within the MSA. Any unused balance at the end of the 2022 benefit year remained to the credit of members and carried over to the 2023 benefit year, and so on. The Saver Option provides comprehensive hospital and major medical benefits, and specialists are reimbursed at 100% of the Wooltru Healthcare Fund Tariff (WHFT).

The **Comprehensive Option** also provides members with a medical savings account (MSA) from which to pay day-to-day benefits. Members are responsible for managing their own day-to-day expenses within the MSA. Any unused balance at the end of the 2022 benefit year remained to the credit of members and carried over to the 2023 benefit year, and so on. The Comprehensive Option offers a materially higher MSA than the Saver Option but is more expensive. The Comprehensive Option provides comprehensive hospital and major medical benefits, and specialists are reimbursed at 300% of the Fund's tariff (WHFT).

## **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 2022, 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.

As at 31 December 2023, the Fund's investible assets were split between the appointed Asset Managers as follows:

- Allan Gray Life Ltd: 51%
- Sanlam Investment Management (Pty) Ltd: 49%

The Fund's Asset Managers achieved the following investment returns (before fees) for periods ended 31 December 2023 in respect of the portfolios in which the Fund was invested:

- Allan Gray Life Ltd: 1 Year: 8.8%, 3 years: 10.4%, 5 years: 7.6%
- Sanlam Investment Management (Pty) Ltd: 1 Year: 9.4%, 3 years: 8.6%  
[There are no five-year returns as Sanlam Investment Management (Pty) Ltd was only introduced as an Asset Manager in 2019]

The total Fund returns have outperformed CPI inflation over the five-year period, as follows:

- Total Fund: 1 year: 9.1%, 3 years: 9.5%, 5 years: 7.5%
- CPI inflation: 1 year: 5.7%, 3 years: 6.3%, 5 years: 5.1%

The Fund's Investment Committee continues to monitor the performance of the Asset Managers and will make changes if they feel that there is a more optimal mix of managers.

The Board is advised by NMG Consultants and Actuaries, 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.

**WOOLTRU HEALTHCARE FUND  
CHAIRPERSON'S REPORT  
for the year ended 31 DECEMBER 2023 (CONTINUED)**

**4. REVIEW OF THE YEAR'S ACTIVITIES**

**4.1 Operational activities**

	<b>2023</b>	<b>2022</b>	<b>% change</b>
Number of members at year end	9,357	9,461	-1.10%
Average number of members for the year	9,419	9,472	-0.56%
Average insurance revenue per member per month (R)	3,197	2,960	8.01%
Average insurance service expenses per member per month (R)	3,615	2,928	23.46%
Dependants-to-member ratio at 31 December	0.78	0.81	-3.70%
Average age of beneficiaries	35	34	2.92%
Pensioner ratio (%)	14.21%	13.94%	1.94%
Attributable, administration and other expenses per member per month (R)	299	276	8.33%
Insurance service expenses as a percentage of insurance revenue (%)	112.31%	98.80%	13.67%
Attributable, administration and other expenses as a percentage of insurance revenue (%)	9.30%	9.31%	-0.11%
Accumulated funds ratio (solvency ratio) at year end	44.59%	54.89%	-18.76%

**4.2 Financial results**

The financial results of the Fund are set out in the audited Annual Financial Statements and in the summary thereof attached hereto. Copies of the Annual Financial Statements are available from the Fund's Administrator upon written request and are published on the Fund's website before its upcoming Annual General Meeting (AGM).

**4.3 Net healthcare result per benefit option**

The insurance service result per benefit option (before other income and other expenditure) was as follows:

	<b>2023</b>	<b>2022</b>
	<u>R'000</u>	<u>R'000</u>
Network Option	7,660	5,999
Saver Option	(34,694)	1,095
Comprehensive Option	<u>(17,463)</u>	<u>(3,045)</u>
<b>Total (loss)/profit</b>	<b>(44,498)</b>	<b>4,049</b>

Although an insurance service loss (prior to other income and other expenditure) was experienced on the Saver and Comprehensive Options for 2023, the Fund remains in an overall financially sound position.

**4.4 Reserves**

The Fund's reserving policy can be summarised as follows:

- To target a reserve level of 60% of annual contributions;
- To move the operating position of the Fund to a breakeven position; and
- To target investment growth of at least CPI + 2% when measured over a three-year rolling period.

The 2022 comparatives have been restated as a result of changes in significant Accounting Policies due to the adoption of IFRS 17. Refer to Note 1.1 on standards that are effective on or after 1 January 2023 for detailed changes in significant Accounting Policies and the transition Note 34 to the Fund's Annual Financial Statements.

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

**4.4 Reserves (continued)**

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

	<b>2023</b> <u>R'million</u>	<b>2022</b> <u>R'million</u>
Insurance contract liability to future members	189.85	223.99
Solvency ratio at year end: (% of annual insurance revenue)	44.59%	54.89%

The Board continually monitors the Fund's solvency ratio. This process is managed by the Fund's Actuaries in conjunction with the Board and is reviewed annually.

**4.5 Liability for incurred claims**

The liability for incurred claims is calculated based on historic claims trends and patterns, and the method of calculation is consistent with that of previous years. Movements in the liability for incurred claims are set out in Note 10 to the Annual Financial Statements.

**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 2022, detailing the benefits and contributions for 2023. In addition, members are encouraged to visit the Fund's website ([www.wooltruhealthcarefund.co.za](http://www.wooltruhealthcarefund.co.za)) regularly. The website is hosted by the Administrator and can be accessed for information relating to the Rules of the Fund and other pertinent information. Members now also have access to the Fund's mobile app which can be downloaded from the Google Play Store or the Apple App Store.

**6. HIV MANAGEMENT PROGRAMME**

The Fund's HIV risk management programme (YourLife 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 antiretroviral therapy. The programme is completely confidential and is run independently by the Fund's Administrator, Momentum Health Solutions.

**7. INTERESTS OF OFFICE BEARERS**

Neither the Trustees nor the Principal Officer have any interests in the companies that provide 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 2023 audited Annual Financial Statements.

**9. CONTRIBUTION INCREASES AND BENEFIT REVIEW**

NMG, the Fund's 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. The Board of Trustees' agenda has a dedicated slot every quarter to keep the Board up to date with changes in the healthcare industry.

**11. VOTE OF APPRECIATION**

I would like to express my thanks to my fellow Trustees, the Principal Officer, the Fund Manager, the Fund's 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.

**CONCLUSION**

The Wooltru Healthcare Fund remains financially sound, and the Trustees are confident that the Fund will continue to serve its valued members as effectively and fairly as possible by facing up to the challenges we face 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 2024 and beyond.



**MR BURGER VAN DER MERWE**  
CHAIRPERSON

June 2024

**WOOLTRU HEALTHCARE FUND  
STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES  
for the year ended 31 DECEMBER 2023**

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**STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES**

The Trustees are responsible for the preparation, integrity and fair presentation of the Annual Report and the Annual Financial Statements of the Wooltru Healthcare Fund (the Fund). The Annual Financial Statements presented on pages 29 to 74 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Medical Schemes Act 131 of 1998 of South Africa, as amended, and include amounts based on judgements and estimates.

The Trustees consider that in preparing the Annual Financial Statements, they have used appropriate Accounting Policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees are satisfied that the information contained in the Annual Financial Statements fairly presents the results of operations for the year and the financial position of the Fund at year end. The Trustees also prepared the information included in their Annual Report on pages 17 to 28 and are responsible for both its accuracy and its consistency with the Annual Financial Statements.

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

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

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

The Fund's External Auditor, PricewaterhouseCoopers (PwC), audited the Annual Financial Statements and is responsible for reporting on the fair presentation of the Annual Financial Statements. Their Report is presented on pages 13 to 16.

The Annual Report and Annual Financial Statements were authorised for issue and approved by the Board of Trustees on 23 April 2024 and, according to an extract from the Minutes of the Meeting, these are signed on its behalf by:



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**MR B VAN DER MERWE**  
CHAIRPERSON



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**MS S MALANDER**  
TRUSTEE



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**MR F DE WIT**  
PRINCIPAL OFFICER

23 April 2024

**WOOLTRU HEALTHCARE FUND  
STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES  
for the year ended 31 DECEMBER 2023**

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**STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES**

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

**BOARD OF TRUSTEES**

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

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

**INTERNAL CONTROL**

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

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



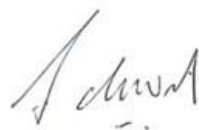
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**MR B VAN DER MERWE**  
CHAIRPERSON



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**MS S MALANDER**  
TRUSTEE



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**MR F DE WIT**  
PRINCIPAL OFFICER

23 April 2024

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

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

*Opinion*

We have audited the Financial Statements of Wooltru Healthcare Fund (the Fund), set out on pages 29 to 74, which comprise the Statement of Financial Position as at 31 December 2023, and the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Members' Funds and Reserve and the Statement of Cashflows for the year then ended, and Notes to the Financial Statements including material accounting policy information.

In our opinion, these Financial Statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2023, and its financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act of South Africa 131 of 1998.

*Basis for opinion*

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

We are independent of the Fund in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key audit matters*

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

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b><i>Valuation of the liability for incurred claims in relation to insurance contract liabilities</i></b></p> <p>Refer to the following disclosure in the Financial Statements for details:</p> <ul style="list-style-type: none"> <li>• Note 1.4, 1.5 and 1.6-1.11;</li> <li>• Note 8; and</li> <li>• Note 25 Critical accounting judgements and areas of key sources of estimation uncertainty.</li> </ul> <p>As at 31 December 2023, the Fund recognised insurance contract liabilities amounting to R241 million. The Fund applied IFRS 17 – <i>Insurance Contract Liabilities</i> retrospectively for the first time in the current financial year ended in accounting for its insurance contract liabilities.</p> <p>The Fund's insurance contract liabilities comprise the liability for remaining coverage (LFRC) and the liability for incurred claims (LIC).</p>	<p>Our audit addressed this key audit matter as follows:</p> <p>We obtained an understanding from the Fund's Actuaries regarding the process followed in calculating the 'LIC' from healthcare events that have occurred but have not yet been reported, which included the design and implementation of controls within the process.</p> <p>We obtained the actual claims data from the member administration system covering the year ended 31 December 2023 used in calculating the LIC from healthcare events that have occurred but are not yet reported.</p> <p>We assessed the completeness of the claims data on the member administration system by understanding management's controls. We selected a sample of claim transactions from the claim source and agreed these to the member administration system. No material inconsistencies were noted.</p>

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

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

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

*Key audit matters (continued)*

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p>In determining the LIC, the Fund applies significant judgement and estimation uncertainties, due to the Fund having to determine claims from healthcare events that have occurred but have not yet been reported.</p> <p>The value of the LIC from healthcare events that have occurred but have not yet been reported is the sum of the probability-weighted estimate of the expected future cashflows and the risk adjustment. The LIC reported is calculated by the Fund's Actuaries which is reviewed by management and the Audit Committee and recommended to the Board of Trustees for approval. The LIC from healthcare events that have occurred, but are not yet reported, amounts to R21,990,738.</p> <p>The most significant assumptions made in the determination of the LIC are:</p> <ul style="list-style-type: none"> <li>• the future cashflow projections; and</li> <li>• the risk adjustment for non-financial risk.</li> </ul> <p><i>Future cashflow projections</i></p> <p>The future cashflow projections comprise estimates of all future claim payments, receivables from third parties as well as the directly attributable expenses arising from the healthcare events within the boundary of the insurance contracts. The Fund's Actuaries use an actuarial model, based on the Fund's actual claim development patterns throughout the year, to determine the probability-weighted estimate of expected future cashflows. This model applies the Basic Chain Ladder ('BCL').</p> <p><i>Risk adjustments for non-financial risk</i></p> <p>In determining the Fund's risk adjustment for non-financial risk, the Fund uses a confidence level technique (value at risk) under IFRS 17. The Fund's calibrated risk adjustment (using value at risk) is such that the insurance contract liabilities are held to be sufficient at the 75th percentile of the ultimate loss distribution.</p> <p>We considered the valuation of the LIC from healthcare events that have occurred but have not yet been reported to be a matter of most significance to the current year audit due to the significant judgement and estimation uncertainties in determining the future cashflow projections and the risk adjustments for non-financial risk.</p>	<p>We substantively tested a sample of claims received by the Fund in the 31 December 2023 financial year, selected from the member administration system, and evaluated the accuracy of the service and process dates and the validity of the claim against the relevant Fund Rules. No material inconsistencies were noted.</p> <p>We assessed the completeness of the claims data in the Fund's actuarial model by obtaining an understanding of management's controls and testing the reconciliation between the claims data per the member administration system and the claims data per the actuarial model. No material inconsistencies were noted.</p> <p>To assess the reasonableness of the Fund Actuaries' estimation process, we compared the actual claim results in the current year to the prior year LIC from healthcare events that have occurred but are not yet reported. We noted no matters for further consideration with respect to the estimation process.</p> <p>With the assistance of our internal actuarial experts, we independently calculated the Fund's probability-weighted estimate of future cashflow projections of the LIC from healthcare events that have occurred but are not yet reported, taking into account the claims data tested above. We compared our results with that of the Fund and did not note any material exceptions.</p> <p>With the assistance of our internal actuarial experts we tested the risk adjustment component of the LIC from healthcare events that have occurred but are not yet reported by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• We evaluated the Fund's methodology relative to the principles of IFRS 17 to assess whether this approach is consistent with the principles of the risk adjustment under IFRS 17. The risk adjustment covers non-financial risk relating to insurance contracts and the compensation required by the Fund in lieu of this risk, with reference to the Fund's risk appetite. We did not identify any matters requiring further consideration.</li> <li>• We tested the risk adjustment by performing independent calculations using the Fund's data and taking into consideration the Fund's risk adjustment methodology. Based on the work we performed, we did not identify any matters requiring further consideration.</li> <li>• Based on the output of our independent stochastic models, we assessed whether our independently calculated liabilities are sufficient at the 75th percentile. We noted no matters requiring further consideration.</li> </ul>



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

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

*Key audit matters (continued)*

Key audit matter	How our audit addressed the key audit matter
	<p>We performed the following procedure(s) to assess the adequacy of the LIC from healthcare events that have occurred but are not yet reported:</p> <ul style="list-style-type: none"> <li>• We obtained the actual claims run-off report up to 28 February 2024 from the Fund's Administrator and compared the claims paid post year end to the LIC from healthcare events that have occurred but are not yet reported at year end as part of subsequent event procedures. No material inconsistencies were noted.</li> <li>• For a sample of claims from the claims run-off report, we tested the occurrence and accuracy of the claims as well as the accuracy of the related service dates by agreeing the claims to underlying supporting documents on the policy administration system and we identified no material inconsistencies.</li> <li>• We inquired from the Fund's Administrator whether there were delays in processing claims at year end that could possibly impact the claims run-off pattern subsequent to year end. No such delays were identified.</li> </ul>

*Other information*

The Fund's Trustees are responsible for the other information. The other information comprises the information included in the document titled 'Wooltru Healthcare Fund Annual Financial Report for the year ended 31 December 2023'. The other information does not include the Financial Statements and our Auditor's Report thereon. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Fund's Trustees for the Financial Statements*

The Fund's Trustees are responsible for the preparation and fair presentation of the Financial Statements, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa 131 of 1998, and for such internal control as the Fund's Trustees determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Fund's Trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting, unless the Fund's Trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.



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

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**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

*Auditor's responsibilities for the audit of the Financial Statements (continued)*

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also do the following:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of Accounting Policies used and the reasonableness of accounting estimates and related disclosures made by the Fund's Trustees.
- Conclude on the appropriateness of the Fund's Trustees' use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Fund's Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

**Report on other legal and regulatory requirements**

*Non-compliance with the Medical Schemes Act of South Africa 131 of 1998*

As required by the Council for Medical Schemes (CMS), we report the following material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa 131 of 1998, as amended, that have come to our attention during the course of our audit:

1. *Non-compliance with Section 33(2) of the Medical Schemes Act of South Africa 131 of 1998*  
The Fund's Comprehensive and Saver Option were not self-supporting in terms of financial performance, as disclosed in Note 26 to the Financial Statements.

*Audit tenure*

As required by the CMS Circular 38 of 2018, Audit tenure, we report that PricewaterhouseCoopers Inc. has been the Auditor of Wooltru Healthcare Fund for four years.

*PricewaterhouseCoopers Inc*

PricewaterhouseCoopers Inc.  
Director: NA Jacobs  
Registered Auditor  
Cape Town, South Africa  
7 June 2024

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 DECEMBER 2023**

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The Board of Trustees hereby presents its report for the year ended 31 December 2023:

Council for Medical Schemes (CMS) registration number of the Fund: 1293

**1. MANAGEMENT**

**1.1 Board of Trustees**

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

**Employer-appointed Trustees**

Mr B van der Merwe (Chairperson)

Ms S Malander (Vice-Chairperson)

Ms Z Mowzer

Mr Y Mvula

Mr I Thompson

Appointed 1 January 2023

**Member-elected Trustees**

Mr G Fergus

Mr A Hector

Ms A McTavish

Mr G Teixeira

Ms B Wata

**1.2 Principal Officer**

Mr F de Wit

**Physical address**

67 Gazania Street  
Welgemoed  
7530

**Postal address**

67 Gazania Street  
Welgemoed  
7530

**Registered office address**

**Business address**

Wooltru Healthcare Fund  
Building 6  
Parc du Cap  
Bellville  
7530

**Postal address**

Wooltru Healthcare Fund  
PO Box 15403  
Vlaeberg  
8018

**Country of registration and domicile**

South Africa

**1.3 Fund Administrator: Momentum Health Solutions (Pty) Ltd**

**Business address**

Parc du Cap  
Mispel Road  
Bellville  
7530

**Postal address**

PO Box 4313  
Cape Town  
8000

Company registration number: 1969/16884/07

**1.4 Investment Managers**

**Sanlam Investment Management (Pty) Ltd**

**Business address**

55 Willie van Schoor Avenue  
Bellville  
7530

**Postal address**

Private Bag X8  
Tygervalley  
7536

Financial service provider number: 579

**1. MANAGEMENT (CONTINUED)**

**1.4 Investment Managers (continued)**

**Allan Gray Life Ltd**

**Business address**  
1 Silo Square  
Victoria & Alfred Waterfront  
Cape Town  
8001

**Postal address**  
PO Box 51318  
Victoria & Alfred Waterfront  
Cape Town  
8002

Financial service provider number: 6663

**Nedgroup Investments Corporate Money Market Fund**

**Business address**  
2nd Floor, Nedbank Clocktower  
Victoria & Alfred Waterfront  
Cape Town  
8001

**Postal address**  
PO Box 1510  
Victoria & Alfred Waterfront  
Cape Town  
8000

Financial service provider number: 1652

**Ninety One Fund Managers SA (RF) (Pty) Ltd**

**Business address**  
36 Hans Strijdom Avenue  
Foreshore  
Cape Town  
8001

**Postal address**  
PO Box 1655  
Cape Town  
8000

Financial service provider number: 587

**1.5 Principal participating Employers**

Woolworths Holdings Limited  
Truworths International

**1.6 Auditor: PricewaterhouseCoopers Inc. (PwC)**

**Business address**  
5 Silo Square  
Victoria & Alfred Waterfront  
Cape Town  
8001

**Postal address**  
PO Box 2799  
Cape Town  
8000

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

**Business address**  
7th Floor  
78 On Edward  
Edward Street  
Bellville  
7530

**Postal address**  
PO Box 3950  
Tygervalley  
7536

**2. DESCRIPTION OF THE FUND**

**2.1 Terms of registration**

The Wooltru Healthcare Fund is a not-for-profit medical scheme 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 Limited Group of companies. Membership of the Fund is subject to the terms and conditions of employment of the participating Employers.

**2.2 Benefit options within the Wooltru Healthcare Fund**

The Fund offers three benefit options to members:

- Network Option
- Saver Option
- Comprehensive Option

**2.3 Risk transfer arrangements**

During 2023, the Fund renewed the risk transfer arrangements with Momentum Health Solutions (Pty) Ltd.

The Fund has two risk transfer arrangements in place with Momentum Health Solutions (Pty) Ltd:

- The first arrangement provides prescribed minimum benefit (PMB) chronic medication benefits for beneficiaries registered on the Saver and Comprehensive Options.
- The second arrangement provides all healthcare benefits for beneficiaries registered on the Network Option.

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 DECEMBER 2023 (continued)**

**3. REVIEW OF THE YEAR'S ACTIVITIES**

**3.1 Operational activities**

**2023**

	<b>Network Option</b>	<b>Saver Option</b>	<b>Compre- hensive Option</b>	<b>Total</b>
Number of members at year end	2,414	6,556	387	9,357
Number of beneficiaries at year end	3,675	12,288	658	16,621
Average number of members for the year	2,373	6,654	392	9,419
Average number of beneficiaries for the year	3,614	12,565	671	16,850
Dependants-to-member ratio at year end	0.52	0.87	0.70	0.78
Average age of beneficiaries for the year	29.01	35.61	57.06	35.00
Pensioner ratio (%)	4.49%	14.53%	67.48%	14.21%
Average insurance revenue per member per month (R)	2,188	3,340	6,887	3,197
Average insurance revenue per beneficiary per month (R)	1,437	1,769	4,023	1,787
Insurance service expenses as a percentage of insurance revenue (R)	87.7%	113.01%	153.91%	112.31%
Average insurance service expenses per member per month (R)	1,886	3,831	10,736	3,615
Average insurance service expenses per beneficiary per month (R)	1,239	2,044	6,314	2,035
Amounts paid to Administrator (R)	3,979,825	21,015,787	1,238,251	26,233,863
Average attributable, administration and other expenses per member per month (R)	202	333	333	299
Average attributable, administration and other expenses per beneficiary per month (R)	132	178	196	168
Average attributable, administration and other expenses as a percentage of insurance revenue (%)	9.38%	9.83%	4.77%	9.3%
Average managed care expense per member per month (R)	-	97	97	72
Average managed care expense per beneficiary per month (R)	-	52	57	40
Surplus/(deficit) from operations (R)	5,505,207	(42,123,194)	(17,901,585)	(54,519,572)
Net investment income (R)	5,141,161	14,385,228	848,947	20,375,336
Net surplus/(deficit) (R)	10,646,368	(27,737,966)	(17,052,638)	(34,144,236)
Accumulated funds per member at 31 December (R)	-	-	-	20,289
Realised return on investments as a percentage of investments (%)	-	-	-	7.92%
Total return on investments (%)	-	-	-	9%

**WOOLTRU HEALTHCARE FUND**  
**REPORT OF THE BOARD OF TRUSTEES**  
**for the year ended 31 DECEMBER 2023 (continued)**

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

**3.1 Operational activities (continued)**

**2022**

	<b>Network Option</b>	<b>Saver Option</b>	<b>Compre- hensive Option</b>	<b>Total</b>
Number of members at year end	2,239	6,823	399	9,461
Number of beneficiaries at year end	3,379	13,006	695	17,080
Average number of members for the year	2,160	6,910	402	9,472
Average number of beneficiaries for the year	3,254	13,238	699	17,075
Dependants-to-member ratio at year end	0.51	0.91	0.74	0.81
Average age of beneficiaries for the year	28.83	34.62	55.99	34.34
Pensioner ratio (%)	4.81%	13.73%	66.17%	13.94%
Average insurance revenue per member per month (R)	2,015	3,070	6,157	2,960
Average insurance revenue per beneficiary per month (R)	1,338	1,602	3,542	1,642
Insurance service expenses as a percentage of insurance revenue (R)	88.51%	99.57%	110.25%	98.80%
Average insurance service expenses per member per month (R)	1,721	3,096	6,840	2,928
Average insurance service expenses per beneficiary per month (R)	1,140	1,624	3,927	1,622
Amounts paid to Administrator (R)	3,422,073	20,647,421	1,201,488	25,270,982
Average attributable, administration and other expenses per member per month (R)	180	305	306	276
Average attributable, administration and other expenses per beneficiary per month (R)	120	160	176	153
Average attributable, administration and other expenses as a percentage of insurance revenue (%)	9.28%	9.82%	4.94%	9.31%
Average managed care expense per member per month (R)	-	86	83	71
Average managed care expense per beneficiary per month (R)	-	49	54	39
Surplus/(deficit) from operations (R)	4,319,169	(5,470,490)	(3,438,034)	(4,589,355)
Net investment income (R)	2,730,888	8,437,043	491,535	11,659,466
Net surplus/(deficit) (R)	7,050,057	2,966,553	(2,946,499)	7,070,111
Accumulated funds per member at 31 December (R)	-	-	-	23,675
Realised return on investments as a percentage of investments (%)	-	-	-	5.59%
Total return on investments (%)	-	-	-	4.73%

**WOOLTRU HEALTHCARE FUND**  
**REPORT OF THE BOARD OF TRUSTEES**  
**for the year ended 31 DECEMBER 2023 (continued)**

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

**3.2 Financial results**

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

**3.3 Solvency ratio**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
The solvency ratio is calculated on the following basis:		
General reserve		
Insurance contract liabilities to future members	189,846,995	223,991,231
Cumulative unrealised gain on investments at fair value	-	(3,140,157)
Accumulated funds	<u>189,846,995</u>	<u>220,851,074</u>
Gross insurance revenue as per Note 11 to the Annual Financial Statements	425,750,966	402,323,152
Opening unrealised gain on investments	3,140,157	9,890,095
Movement of unrealised gain on investments	<u>(5,253,596)</u>	<u>(6,749,938)</u>
Closing unrealised (loss)/gain on investments	<u>(2,113,439)</u>	<u>3,140,157</u>
Accumulated funds as a percentage of gross insurance revenue	<u>44.59%</u>	<u>54.89%</u>

The solvency ratios for both 2023 and 2022 reflected above were calculated using accumulated funds, as required by the Council for Medical Schemes (CMS), as per Regulation 29 of the Medical Schemes Act 131 of 1998. Before the IFRS 17 transition, the 2022 solvency ratio was 55.01%. The minimum solvency ratio required by the CMS is 25%.

**3.4 Reserve accounts**

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves on page 31. The IFRS 17 transition adjustment amounted to R217,512,283.

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

**3.5 Liability for incurred claims**

The liability for incurred claims is calculated based on historic claims trends and patterns, and the method of calculation is consistent with that of previous years.

Movements in the liability for incurred claims are set out in Note 10 to the Annual Financial Statements.

**3.6 Liability adequacy test**

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

#### **4. INVESTMENT POLICY OF THE FUND**

Allan Gray Life Ltd, Sanlam Investment Management (Pty) Ltd, Nedgroup Investments Corporate Money Market Fund and Ninety One Fund Managers SA (RF) (Pty) Ltd are the Fund's appointed Investment Managers. The Fund invests in compliance with the requirements of the Medical Schemes Act 131 of 1998. As at 31 December 2023, the effective equity exposure of the portfolios managed by Allan Gray Life Ltd (30.45%), Sanlam Investment Management (Pty) Ltd (34.75%), Nedgroup Investments Corporate Money Market Fund and Ninety One Fund Managers SA (RF) (Pty) Ltd, while the combined total effective equity exposure was 22.19% (2022: 26.45%).

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

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

- a minimum overall investment return after investment management fees of the consumer price index (CPI) inflation plus two percent per annum;
- a return after investment management fees of CPI inflation plus three percent per annum or above on the growth assets which are not required to meet the Fund's liquidity needs; and
- a competitive cash return on the reserves whose primary objective is to provide liquidity.

The Fund's investment strategy is to invest:

- the assets required to meet claim payments and any other obligations the Fund may have in the short term in a cash management portfolio; and
- the remainder of the Fund's assets in investments that are compliant with the Medical Schemes Act 131 of 1998.

#### **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 insurance revenue for the 2023 year was set out in a report dated September 2023 and confirmed that the Fund was in a financially sound position. The Report complied with the requirements of the Professional Guidance Note issued by the Actuarial Society of South Africa (APN303 – Advice to South African Medical Schemes on Adequacy of Contributions).

#### **6. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD**

At the date of finalisation of the Annual Financial Statements on 23 April 2024, there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the Annual Financial Statements.

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

The Council for Medical Schemes (CMS) stipulated, via Circular 11 of 2006, that all cases of non-compliance with the Medical Schemes Act 131 of 1998 (the Act) should be disclosed in the Annual Financial Statements. Refer to Note 31 to the Annual Financial Statements. The following stipulations were not complied with during the year:

**7.1 Non-compliance for which the Fund has not received exemption**

***Section 33(2) of the Medical Schemes Act 131 of 1998 – benefit options not financially sound***

*Nature and impact*

The CMS has approved the Rules of the Wooltru Healthcare Fund in terms of Section 33(2) of the Medical Schemes Act 131 of 1998. As per the submission approved by the Registrar, the Saver Option was in a net deficit position of R27,737,966 (2022: surplus R2,966,553) representing 7.68% (2022: 0.89%) of the insurance revenue of the Fund. The Comprehensive Option was in a net deficit position of R17,052,638 (2022: R2,946,499) representing 4.72% (2022: 0.88%) of the insurance revenue of the Fund.

*Cause of failure*

Both the Saver and Comprehensive Options experienced an unexpected increase in in-hospital claims cost in 2023. An analysis of the increase in claims costs attributes 47% on the increase to factors related to the COVID-19 pandemic and/or the effects of the resulting national lockdown. The balance of the impact (52%) is attributed to high-cost cases that are unusually high. The Trustees along with the actuarial advisors to the Fund are closely monitoring the claims patterns to understand how quickly they will return to 'normal' or remain at the elevated levels experienced in 2023.

*Corrective action*

The 2024 year-end benefit and contribution changes will be structured to return the combined financial position of the Saver and Comprehensive Options to breakeven or close to breakeven in 2025. The Comprehensive Option is selected mostly by retired members and the age profile of this benefit option results in higher claims per member than the other benefit options. Higher contribution increases and larger benefit reductions will be considered for the Comprehensive Option to reduce the operating deficit to more reasonable levels in 2025. The Trustees have considered closing the Comprehensive Option; however, closure of this benefit option would mean that these members would move to the Saver Option and the resultant higher claiming profile would necessitate a further increase in contributions for the Saver Option in 2025.

***Section 26(7) of the Medical Schemes Act 131 of 1998 – contributions received after three days of becoming due***

*Nature and impact*

In terms of Section 26(7) of the Medical Schemes Act 131 of 1998, contributions should be received in accordance with the Rules of the Fund. The Rules state that contributions should be received no more than three days after they become due. During the 2023 year, there were instances where contributions were received later than three days after the due date. As at 31 December 2023, there was an amount of R20,958 (2022: R10,993) outstanding. This amount represents 0.01% (2022: 0.01%) of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Act.

*Cause of failure*

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

*Corrective action*

The Fund continues to communicate to all parties responsible to emphasise the importance of prompt payment of contributions.

**7.2 Non-compliance for which the Fund has received an exemption**

***Section 35(8) (a) and (c) of the Medical Schemes Act 131 of 1998 – investments***

*Nature and impact*

Wooltru Healthcare Fund, through Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd, held investments in participating Employers, as well as holding companies of medical scheme administrators, as at 31 December 2023. This is in contravention of Section 35(8) (a) and (c) of the Act, as the Fund is not allowed to hold shares in the holding company of an administrator or any participating Employer. See paragraph 8 for further details.

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

**7.2 Non-compliance for which the Fund has received an exemption (continued)**

***Section 35(8) (a) and (c) of the Medical Schemes Act 131 of 1998 – investments (continued)***

*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 October 2022 from the Council for Medical Schemes from complying with Section 35(8) (a) and (c) of the Medical Schemes Act 131 of 1998, insofar as it relates to investments placed with Asset Managers who invest on behalf of the Fund, and where such investment choices are not influenced by the Fund. The exemption was granted up until 30 November 2025.

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

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

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
Discovery Holdings Ltd	366,945	369,129
Liberty Holdings Ltd	-	40,985
Momentum Metropolitan Holdings Ltd	129,538	127,034
Sanlam Ltd	603,470	480,619
Truworths International	131,522	116,041
Woolworths Holdings Limited	1,677,220	2,052,559
	<u>2,908,695</u>	<u>3,186,367</u>

Refer to Note 27 for detailed disclosure in terms of related parties. The Fund obtained an exemption according to Section 35(8) (a) and (c) of the Medical Schemes Act 131 of 1998 and is therefore permitted to hold investments in its participating Employers and holding companies of medical scheme administrators. Refer to paragraph 7.2 above for detailed disclosures in terms of non-compliance with the Medical Schemes Act 131 of 1998.

**9. AUDIT COMMITTEE**

An Audit Committee was established on 12 February 2002, in accordance with the provisions of the Medical Schemes Act 131 of 1998. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee must consist of a minimum of five members, of whom two must be members of the Board of Trustees. The majority of the members are not officers of the Fund or its third-party Administrator.

The Audit Committee met on three occasions during 2023 on 12 April, 17 August and 9 November.

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

In accordance with the provisions of the Medical Schemes Act 131 of 1998, the primary responsibility of the Committee is to assist the Board of Trustees in performing its duties relating to the Fund's Accounting Policies, internal control systems and financial reporting practices. The External Auditor formally reports to the Committee on critical findings arising from the statutory audit of the Fund's Annual Financial Statements.

During the year under review, the Audit Committee comprised:

Mr D Crisp	Chairperson/Independent non-Trustee
Ms K Hofmeyr	Independent non-Trustee
Ms Z Mowzer	Trustee
Mr A Narshi	Independent non-Trustee (appointed 1 October 2023)
Ms C Nyathi	Independent non-Trustee (resigned 30 September 2023)
Mr I Thompson	Trustee

**10. INVESTMENT COMMITTEE**

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

The Investment Committee met on four occasions during 2023 on 18 January, 10 May, 16 August and 1 November.

During the year under review, the Investment Committee comprised:

Mr I Thompson	Chairperson/Trustee
Ms S Malander	Vice-Chairperson/Trustee
Ms M George	Non-Trustee
Mr G Teixeira	Trustee

**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 had no need to meet during 2023.

During the year under review, the Disputes Committee comprised:

Mr L Motofo	Committee member
Ms S Proudfoot	Committee member
Mr M van Buuren	Committee member

**12. BENEFITS COMMITTEE**

A Benefits Committee was established during 2008. The responsibility of the Committee is to review proposed new benefits and benefit changes and make appropriate recommendations to the Board of Trustees. The Benefits Committee also acts as a liaison between the Employers and the Fund with regard to proposed benefits.

The Benefits Committee met on six occasions during 2023 on 1 March, 19 April, 10 May, 19 July, 17 August and 1 November.

During the year under review, the Benefits Committee comprised:

Ms S Malander	Chairperson/Trustee
Mr C du Plessis	Vice-Chairperson/Non-Trustee
Mr G Fergus	Trustee
Ms A McTavish	Trustee
Ms A Urquhart	Non-Trustee

**13. CLINICAL COMMITTEE**

A Clinical Committee was established on 29 May 2013 for the purpose of researching, analysing and reviewing matters of clinical importance to the Fund and its beneficiaries. The Committee advises the Board of Trustees on all strategic and operating matters of a clinical nature and assists in monitoring the Fund's compliance with the Medical Schemes Act 131 of 1998, as it relates to the clinical aspect of benefits provided by the Fund.

The Clinical Committee met on four occasions during 2023 on 1 February, 25 April, 19 July and 25 October.

During the year under review, the Clinical Committee comprised:

Dr A Davidson	Chairperson/Medical Advisor
Ms A Brandes	Fund Administrator's Representative
Mr A Hector	Trustee
Dr S Jairam	Fund Administrator's Representative
Ms S Malander	Trustee
Mr G Scott	Fund Actuaries' Representative
Ms B Wata	Trustee

**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 large and 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 on 28 November 2023.

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

Dr A Davidson	Chairperson/Medical Advisor
Ms A Brandes	Fund Administrator's Representative
Mr G Fergus	Trustee
Mr A Hector	Trustee
Mr D Rambhookan	Fund Administrator's Representative
Mr G Scott	Fund Actuaries' Representative
Ms B Wata	Trustee

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 DECEMBER 2023 (continued)**

**15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE**

The following schedule sets out the Board of Trustees and Committee meetings attendances. Trustee remuneration is disclosed in Note 16 and Note 27 to the Annual Financial Statements.

Trustee/Committee Member/Principal Officer	Board meetings		Audit Committee meetings		Investment Committee meetings		Benefits Committee meetings		Clinical Committee meetings		Ex Gratia Committee meetings		Disputes Committee meetings	
	5		3		4		6		4		1		0	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
<b>Trustees</b>														
Mr B van der Merwe (Chairperson)	5	4	-	-	-	-	-	-	-	-	-	-	-	-
Ms S Malander (Vice-Chairperson)	5	5	-	-	4	3	6	5	4	3	-	-	-	-
Mr G Fergus	5	5	-	-	-	-	6	6	-	-	1	1	-	-
Mr A Hector	5	5	-	-	-	-	-	-	4	4	1	1	-	-
Mr Y Mvula	5	2	-	-	-	-	-	-	-	-	-	-	-	-
Ms A McTavish	5	5	-	-	-	-	6	6	-	-	-	-	-	-
Ms Z Mowzer	5	4	3	3	-	-	-	-	-	-	-	-	-	-
Mr G Teixeira	5	5	-	-	4	4	-	-	-	-	-	-	-	-
Mr I Thompson	5	4	3	3	4	4	-	-	-	-	-	-	-	-
Ms B Wata	5	4	-	-	-	-	-	-	4	4	1	0	-	-
<b>Principal Officer</b>														
Mr F de Wit	5	5	3	3	4	4	6	6	4	4	1	1	-	-
<b>Committee members</b>														
Ms A Brandes (Clinical/Ex gratia)	-	-	-	-	-	-	-	-	4	4	1	1	-	-
Mr D Crisp (Audit)	-	-	3	3	-	-	-	-	-	-	-	-	-	-
Dr T Davidson (Clinical/Ex gratia)	-	-	-	-	-	-	-	-	4	4	1	1	-	-
Mr C du Plessis (Benefits)	-	-	-	-	-	-	6	4	-	-	-	-	-	-
Ms M George (Investment)	-	-	-	-	4	3	-	-	-	-	-	-	-	-
Ms K Hofmeyr (Audit)	-	-	3	3	-	-	-	-	-	-	-	-	-	-
Dr S Jairam (Clinical)	-	-	-	-	-	-	-	-	4	4	-	-	-	-
Mr A Narshi (Audit)	-	-	1	1	-	-	-	-	-	-	-	-	-	-
Ms C Nyathi (Audit)	-	-	2	0	-	-	-	-	-	-	-	-	-	-
Mr D Rambhookan (Ex gratia)	-	-	-	-	-	-	-	-	-	-	1	1	-	-
Mr G Scott (Clinical/Ex gratia)	-	-	-	-	-	-	-	-	4	3	1	1	-	-
Ms A Urquhart (Benefits)	-	-	-	-	-	-	6	4	-	-	-	-	-	-

**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 conducted 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 19.

**WOOLTRU HEALTHCARE FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**as at 31 DECEMBER 2023**

**STATEMENT OF FINANCIAL POSITION**

		<b>2023</b>	<b>Restated*</b> <b>31 December</b> <b>2022</b>	<b>Restated*</b> <b>1 January</b> <b>2022</b>
		<b>R</b>	<b>R</b>	<b>R</b>
	<b>Notes</b>			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Financial assets at fair value through profit or loss	2	157,497,680	171,456,282	146,515,058
<b>Current assets</b>				
		85,246,818	100,859,384	109,304,225
Financial assets at fair value through profit or loss	2	52,752,421	70,969,273	82,131,970
Re-insurance contract assets	9	4,097,652	3,459,114	2,819,913
Trade and other receivables	3	143,270	195,755	94,599
Cash and cash equivalents	4	976,418	576,900	501,298
Investment of medical savings accounts (MSAs)	5	27,277,057	25,658,342	23,756,445
<b>Total assets</b>		<b>242,744,498</b>	<b>272,315,666</b>	<b>255,819,283</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Insurance contract liabilities to future members	8.2	189,846,995	223,991,231	216,921,120
<b>Current liabilities</b>				
		52,897,503	48,324,435	38,898,163
Insurance contract liabilities to current members	8.1	51,992,606	47,727,999	38,508,405
Trade and other payables	6	904,897	596,436	389,758
<b>Total liabilities</b>		<b>242,744,498</b>	<b>272,315,666</b>	<b>255,819,283</b>

\* The 2022 comparatives have been restated as a result of changes in significant Accounting Policies due to the adoption of IFRS 17. Refer to Note 1.1 on standards that are effective on or after 1 January 2023 for detailed changes in significant Accounting Policies and the transition in Note 34.

**WOOLTRU HEALTHCARE FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**as at 31 DECEMBER 2023**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<b>2023</b>	<b>Restated*</b>
		<b>R</b>	<b>2022</b>
	<b>Notes</b>		<b>R</b>
Insurance revenue	11	361,387,717	336,483,652
Insurance service expenses		(371,741,489)	(339,504,722)
Claims incurred	12	(364,164,000)	(293,205,393)
Changes that relate to past service – adjustments to the liability for incurred claims (LIC)	12	(17,097,850)	(15,090,381)
Third-party claims recoveries		272,104	461,018
Accredited managed healthcare services (no transfer of risk)	13	(8,059,848)	(7,441,445)
Attributable expenses incurred	14	(23,578,593)	(22,679,164)
Net expenses from risk transfer arrangement re-insurance			
- Amount recovered from risk transfer arrangement re-insurance	15	72,936,392	63,377,450
- Amount allocation of premiums paid	15	(66,193,930)	(57,856,696)
Amount attributable to future members**		34,144,236	(7,070,111)
<b>Insurance service result</b>		<b>(10,353,772)</b>	<b>(3,021,070)</b>
<b>Other income</b>		<b>26,578,042</b>	<b>19,390,812</b>
Investment income	18	17,679,322	14,566,246
Net realised gains on investments at fair value through profit or loss	19	8,898,720	4,824,566
<b>Other expenditure</b>		<b>(16,224,270)</b>	<b>(16,369,742)</b>
Administration fees and other operating expenses	16	(9,801,512)	(8,542,681)
Investment management fees	20	(949,110)	(981,406)
Net impairment loss on healthcare receivables	17	(220,052)	(95,717)
Unrealised losses on investments at fair value through profit or loss	2	(5,253,596)	(6,749,938)
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>

\* The 2022 comparatives have been restated as a result of changes in significant Accounting Policies due to the adoption of IFRS 17. Refer to Note 1.1 on standards that are effective on or after 1 January 2023 for detailed changes in significant Accounting Policies and the transition in Note 34.

\*\* Under IFRS 17, the net loss or profit for the year is included as part of insurance service expenses.

**WOOLTRU HEALTHCARE FUND**  
**STATEMENT OF CHANGES IN FUNDS AND RESERVES AND STATEMENT OF CASHFLOWS**  
**as at 31 DECEMBER 2023**

**STATEMENT OF CHANGES IN FUNDS AND RESERVES**

	R
	<b>Members' funds/General reserve</b>
<b>Balance at 1 January 2022 (as previously reported)</b>	217,512,283
IFRS 17 transition adjustment	(217,512,283)
<b>Balance as at 1 January 2022 (restated)</b>	<u><u>-</u></u>

**STATEMENT OF CASHFLOWS**

	2023	2022
	R	R
	<b>Notes</b>	
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from members and healthcare providers	425,169,645	402,094,775
Cash receipts from members – contributions	425,169,645	402,094,775
Cash paid to healthcare providers, employees and members	(475,702,202)	(397,998,217)
Cash paid to healthcare providers, employees and members – claims	(441,405,610)	(365,520,470)
Cash paid to healthcare providers, employees and members – non-healthcare expenditure	(33,019,159)	(31,308,252)
Cash paid to members – medical savings accounts refunds	(1,277,433)	(1,169,495)
<b>Net cash (utilised in)/generated from operating activities</b>	(50,532,557)	4,096,558
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	2 (390,973,492)	(342,940,926)
Proceeds on disposal of investments	2 441,560,503	339,654,315
Interest received	1,963,779	1,167,552
<b>Net cash generated from/(utilised in) investing activities</b>	52,550,790	(2,119,059)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,018,233	1,977,499
Cash and cash equivalents at the beginning of the year	26,235,242	24,257,743
<b>Cash and cash equivalents at the end of the year</b>	<u><u>28,253,475</u></u>	<u><u>26,235,242</u></u>
Investment of medical savings accounts	5 27,277,057	25,658,342
Cash and cash equivalents	4 976,418	576,900

**1. PRINCIPAL ACCOUNTING POLICIES**

The Principal Accounting Policies applied in the preparation of the Fund's Annual Financial Statements, as set out below, are in accordance with International Financial Reporting Standards (IFRS). These policies have been consistently applied to all years presented, except for changes required by the mandatory adoption of new, revised IFRS and changes in accounting policy.

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

**1.1 Basis of preparation**

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

**Historical cost**

The Annual Financial Statements are prepared on a going-concern basis using the historical cost convention, except for:

- certain financial assets and liabilities (including derivative instruments) – measured at fair value; and
- insurance assets and liabilities – measured in terms of IFRS 17 current estimates.

**Use of estimates**

The preparation of the Annual Financial Statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amount of assets, liabilities and contingent liabilities at the reporting date as well as affecting the reported income and expenditure for the year. The actual outcome may differ from these estimates. For further information on critical estimates and judgements refer to Note 25.

**Implementation of new standards**

The following new standards were adopted by the Fund effective 1 January 2023.

<b>Standard</b>	<b>Impact on the Fund</b>
IFRS 17: Insurance Contracts	<p>The Standard was issued in May 2017 and replaces IFRS 4: Insurance Contracts.</p> <p>The Standard creates one accounting model for all insurance contracts and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts that fall within the scope of IFRS 17.</p> <p>Contracts issued by the Fund to its members are included in the scope of IFRS 17, and the Fund was therefore required to adopt IFRS 17 effective 1 January 2023, applied retrospectively.</p>

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation (continued)

**New standards, amendments and interpretations issued and not yet effective in 2023 and relevant to the Fund**

Standard	Summary of requirements	Effective date
IAS 1: Presentation of Financial Statements	<p><i>Classification of liabilities as current or non-current:</i>                      Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.</p> <p>There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.</p> <p>The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.</p> <p><i>Disclosure of Accounting Policies:</i>                      The amendments require medical schemes to disclose their material accounting policy information rather than their significant Accounting Policies, with additional guidance added to the standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.</p>	Annual periods commencing on or after 1 January 2024

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

1.2 Financial instruments

Initial recognition and subsequent measurement

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

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

**Financial assets**

Initial recognition and measurement

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

Classification

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

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.2 Financial instruments (continued)**

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

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

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

Subsequent measurement

*Financial assets at fair value through profit or loss*

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

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

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

Amortised cost

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

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the EIR method and are subject to impairment.

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

***Financial liabilities***

Initial recognition and measurement

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

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.2 Financial instruments (continued)**

Subsequent measurement

*Financial liabilities at fair value through profit or loss*

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

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

*Financial liabilities at amortised cost*

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

The Fund's financial liabilities at amortised cost consist of trade and other payables, medical savings accounts and the outstanding claims provision.

**Offsetting of financial instruments**

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

**Impairment of financial assets**

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

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

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

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

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

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.2 Financial instruments (continued)**

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

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

**Derecognition**

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

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

**1.3 Medical savings accounts (MSAs)**

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

The investment component and the insurance component of the insurance contracts are highly inter-related and can therefore not be separated from the insurance component and IFRS 17 has therefore been applied to the entire contract including the medical savings accounts.

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

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

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

**1.4 Significant judgements**

The Fund used the confidence level to determine the risk adjustment.

**1.4.1 Mutual entity assessment**

Based on the requirements of IFRS 17, the Fund was recognised as a mutual entity, therefore it is expected that the remaining assets of the Fund will be used to pay the claims of current and future members. The Fund recognised a liability in its Statement of Financial Position to provide coverage to its future members.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.4 Significant judgements (continued)**

**1.4.2 Unit of account (level of aggregation)**

Judgement has been applied to how the Fund determined the unit of account for the measurement of its insurance contracts. Management has assessed their portfolio as the Fund as a whole due to the holistic pricing methodologies and risk management strategy that manages the risk on a Fund level.

The above is demonstrated by the following:

- Hospital claims are managed on a Fund level.
- Chronic conditions are managed on a Fund level, i.e. no matter the benefit option, the member will have access to the chronic condition management benefit.
- Risk transfer arrangements are based on conditions and not on benefit options.
- Pricing and benefit option changes are determined at a Fund level to manage member migration between different benefit options to ensure each one is sustainable.
- Risk (utilisation and concentration) is managed holistically.

**1.4.3 Risk adjustment – liability for incurred claims (LIC)**

The risk adjustment for non-financial risk is applied to the present value of the estimated future cashflows and reflects the compensation the Fund requires for bearing the uncertainty about the amount and timing of the cashflows from non-financial risk as the Fund fulfils insurance contracts. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Fund's degree of risk aversion. The Fund estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment was calculated at the portfolio level as the Fund does not have groups due to laws that constrain the Fund's ability to set a price for different members. The confidence level method was used to derive the overall risk adjustment for non-financial risk. In the confidence level method, the risk adjustment is determined by applying a confidence level to run-off triangles used to calculate the LIC. The confidence level is set to 75%.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2022 and 2023.

**1.5 Significant estimates**

The preparation of the Annual Financial Statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the note below, including information about the basis of calculation for each affected line item in the Annual Financial Statements.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cashflows is estimated using deterministic scenarios.

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to Note 10.

**1.5.1 Estimates of future cashflows to fulfil insurance contracts**

Included in the measurement of the group of contracts are all the future cashflows within the boundary of the group of contracts. The estimates of these future cashflows are based on probability-weighted expected future cashflows. The Fund estimates which cashflows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Fund uses information about past events, current conditions and forecasts of future conditions. The Fund's estimate of future cashflows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cashflows. The probability-weighted average of the future cashflows is calculated using a deterministic scenarios representing the probability-weighted mean of a full range of scenarios.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.5 Significant estimates (continued)**

**1.5.1 Estimates of future cashflows to fulfil insurance contracts (continued)**

The uncertainty in the insurance contracts lies in the number, severity and timing of claims.

Assumptions used to develop estimates about future cashflows are re-assessed at each reporting date and adjusted where required.

**1.5.2 Methods used to measure the insurance contracts**

The Fund estimates insurance liabilities in relation to claims incurred for healthcare contracts.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. The generally accepted actuarial methodology used in assessing the estimated claims outcome of insurance liabilities is the chain-ladder method.

The chain-ladder method involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each period (in the Fund's case, for the four months post year end) that is not yet fully developed to produce an estimated ultimate claims cost for each healthcare year. The chain-ladder method is the most appropriate for this claim pattern.

Run-off triangles are used in situations where it takes time after the treatment date for the full extent of the claims to become known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The following was taken into account when estimating the LIC:

- the homogeneity of the data;
- changes in pattern of claims;
- changes in the composition of members and their beneficiaries;
- changes in benefit limits; and
- changes in the prescribed minimum benefits (PMBs).

**1.6 Insurance contracts**

Insurance contracts are contracts under which the Fund accepts significant insurance risk from a member by agreeing to compensate the member if a specified uncertain future event adversely affects the member. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Fund uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Fund has the possibility of a loss on a present-value basis) and whether the accepted insurance risk is significant.

**1.6.1 Unit of account**

The Fund has assessed their portfolio to be at a Fund level as a whole. Please refer to Note 1.4.1 for the assessment.

The Fund has applied the exemption not to perform profitability groupings as allowed by IFRS 17.20 and included all contracts in the same group. The Fund has further assessed that there are no facts and circumstances to indicate that the group was onerous at inception date.

Before the Fund accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cashflows relating to embedded derivatives that are required to be separated;
- cashflows relating to distinct investment components; and
- promises to transfer distinct goods or distinct non-insurance services.

The Fund applies IFRS 17 to all remaining components of the contract.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.6 Insurance contracts (continued)**

**1.6.2 Contract boundary**

The Fund uses the concept of contract boundary to determine what cashflows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cashflows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the member is obligated to pay contributions, or the Fund has a substantive obligation to provide the member with insurance coverage or other services. A substantive obligation ends when both of the following criteria are satisfied:

- the Fund has the practical ability to reprice the group of contracts so that the price fully reflects the re-assessed risk of that portfolio; and
- the pricing of contributions related to coverage to the date when risks are re-assessed does not reflect the risks related to periods beyond the re-assessment date.

In assessing the practical ability to reprice, risks transferred from the member to the Fund are considered, and other risks, such as lapse or surrender and expense risk, are not included.

Cashflows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

The Fund has assessed all its contracts and determined all contracts have a boundary of one year.

**1.6.3 Recognition and derecognition**

The group of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the member is due or actually received, if there is no due date; and
- when the Fund determines that a group of contracts becomes onerous.

An insurance contract is derecognised when it is:

- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- if the terms are modified due to an agreement between the Fund and its members or by regulation, and the modification terms meet the requirement in IFRS 17.72.

If the modification does not comply with all the requirements of IFRS 17.72, the Fund shall treat the changes in cashflows as changes in estimates of fulfilment cashflows (FCF).

**1.6.4 Initial and subsequent measurement**

The criteria in IFRS 17.53 should be considered to determine if a medical scheme would be able to use the Premium Allocation Approach (PAA). The Fund's contracts all have a coverage period of one year or less and are therefore eligible to apply the PAA model.

The Fund uses the PAA for measuring contracts with a coverage period of one year or less. This approach is used for all healthcare insurance contracts as each of these contracts have a coverage period of one year or less.

For insurance contracts issued, on initial recognition, the Fund measures the liability for remaining coverage (LFRC) at the amount of contributions received, less any acquisition cashflows paid and any amounts arising from the derecognition of the prepaid acquisition cashflows asset.

The carrying amount of the group of insurance contracts issued at each reporting period is the sum of the LFRC and the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.6 Insurance contracts (continued)**

**1.6.4 Initial and subsequent measurement (continued)**

For insurance contracts issued, at each of the subsequent reporting dates, the LFRC is:

- a. increased for contributions received in the period;
- b. decreased for insurance acquisition cashflows paid in the period; and
- c. decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

For insurance contracts issued at each of the subsequent reporting dates, the LIC is:

- a. best estimate of fulfilment cash; and
- b. risk adjustment.

Refer to Notes 1.4 and 1.5 for the significant judgements and estimates used to determine the LIC and the estimates to determine the fulfilment cashflows.

Discounting in the PAA

IFRS 17.59(b) allows a policy choice whether to adjust the measurement for the impact of the time value of money and other financial risks if the settlement of the claims is expected within 12 months.

The Fund has chosen not to discount the group of contracts.

**1.7 Liability for remaining coverage**

As the coverage period and the financial year for a medical scheme is the same, there would be no liability for remaining coverage at the year-end reporting date.

**1.8 Onerous contract assessment**

In the consideration of whether facts and circumstances indicate that a group of insurance contracts is onerous, Wooltru Healthcare Fund considers whether the expected deficit of the following year exceeds the insurance liability attributable to future members. In the rare scenario where the following year's deficit exceeds the insurance liability attributable to future members, the contracts written would be onerous and an onerous contract liability raised. Where the amounts attributable to future members exceed the following year's deficit, the contracts would not be determined as onerous, and no provision raised as a liability is already recognised.

**1.9 Insurance revenue**

As the Fund provides services under the group of insurance contracts, it reduces the LFRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Fund expects to be entitled to in exchange for those services.

For the group of insurance contracts measured under the PAA, the Fund recognises insurance revenue based on the expected pattern of release of risk over the coverage period of the group of contracts.

**1.10 Insurance service expenses**

Insurance service expenses include:

- a. incurred claims and benefits excluding investment components;
- b. other incurred directly attributable insurance service expenses;
- c. changes that relate to past service (i.e. changes in the FCF relating to the LIC); and
- d. changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

Cashflows that are not directly attributable to a group of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.10 Insurance service expenses (continued)**

The Fund includes the following acquisition cashflows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are costs directly attributable to individual contracts and the group of contracts. Insurance acquisition costs are expensed by the Fund when it incurs the cost.

IFRS 17.59(a) allows a choice of either expensing the insurance acquisition cashflows when incurred or amortising them over the contract's coverage period.

The Fund has chosen to expense its acquisition costs when incurred.

**1.11 Risk transfer re-insurance**

**1.11.1 Definition**

These are contracts entered into by the Fund with a third-party service provider, being Momentum Health Solutions (Pty) Ltd. Under these contracts, the Fund is compensated for losses/claims through the provision of services to members by the healthcare service providers. Refer to paragraph 2.3 on page 19 of the Report of the Board of Trustees for more details.

**1.11.2 Unit of account**

Groups of re-insurance contracts held are assessed for aggregation separately from groups of insurance contracts issued. Applying the grouping requirements to re-insurance contracts held, the Fund aggregates re-insurance contracts held concluded within a calendar year (annual cohorts) into groups of contracts for which there is a net gain at initial recognition.

Re-insurance contracts held are assessed for aggregation requirements on an individual contract basis. The Fund tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in re-insurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

**1.11.3 Recognition and derecognition**

The re-insurance contract held that covers the losses of separate insurance contracts on a proportionate basis is recognised at the later of:

- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

The Fund does not recognise their re-insurance contract held until it has recognised at least one of the underlying insurance contracts.

**1.11.4 Initial and subsequent measurement**

For re-insurance contracts held on initial recognition, the Fund measures the remaining coverage at the amount of ceding contributions paid.

The carrying amount of a group of re-insurance contracts held at the end of each reporting period is the sum of:

- a. the remaining coverage; and
- b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Subsequent measurement of the remaining coverage for re-insurance contracts held is:

- a. increased for ceding contributions paid in the period; and
- b. decreased for the amounts of ceding contributions recognised as re-insurance expenses for the services received in the period.

The Fund does not adjust the asset for the remaining coverage for re-insurance contracts held for the effect of the time value of money. The re-insurance contributions are due within coverage periods which are one year or less.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.11 Risk transfer re-insurance (continued)**

**1.11.5 Contract boundary**

For groups of re-insurance contracts held, cashflows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Fund is compelled to pay amounts to the re-insurer, or in which the Fund has a substantive right to receive services from the re-insurer.

The Fund's capitation agreements held have a duration of one year but are cancellable with a 90-day notice period by either party.

Re-insurance income consists of:

- a. The amount that depicts the value the insurer benefits from entering into a risk transfer arrangement (i.e. the value of services received from the capitation provider).

Re-insurance expenses consist of:

- a. re-insurance expenses;
- b. other incurred directly attributable insurance service expenses; and
- c. effect of changes in risk of re-insurer non-performance.

Re-insurance expenses are recognised similarly to insurance revenue. The amount of re-insurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding contributions the Fund expects to pay in exchange for those services. For groups of re-insurance contracts held measured under the PAA, the Fund recognises re-insurance expenses based on the passage of time over the coverage period of a group of contracts.

**1.12 Investment income**

Interest income is recognised on a yield-to-maturity basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Fund. Dividend income is recognised as income when the Fund's right to receive payment is established.

**1.13 Taxation**

The Fund is registered under the Medical Schemes Act 131 of 1998. As a result, it falls within the definition of a benefit fund, as defined in Section 1 of the Income Tax Act 58 of 1962 (the Act), and therefore the receipts and accruals of the Fund are exempt from taxation under Section 10(1)(d)(ii) of the Act. The Fund is exempt from dividends tax on its dividend income by virtue of Section 64F(1)(f) of the Act. The Fund registered as an Employer during 2018 to pay over statutory deductions on behalf of employees of the Fund.

**1.14 Accredited managed healthcare expenses**

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

**1.15 Re-imbursements from the Road Accident Fund (RAF)**

The Fund grants assistance to its members in defraying expenditure incurred in connection with rendering of any relevant healthcare service. Such expenditure may be in connection with a claim that is also made to the Road Accident Fund (RAF), administered in terms of the Road Accident Fund Act 56 of 1996. If the members are re-imbursed by the RAF, they are contractually obliged to cede that payment to the Fund to the extent that they have already been compensated. A re-imbursalment from the RAF is a possible asset that arises from a claim submitted to the RAF, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. If an inflow of economic benefits has become probable, the Fund discloses the contingent asset. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the Financial Statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the Financial Statements of the period in which certainty arises. If received, amounts in respect of re-imbursements from the RAF are recognised as a credit in net claims incurred in the Statement of Comprehensive Income.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.16 Fair value**

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

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

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

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

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

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

**1.17 Allocation of income and expenditure to benefit options**

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

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2023 (continued)**

**2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

		<b>2023</b>	<b>2022</b>
		<b>R</b>	<b>R</b>
	<b>Notes</b>		
Fair value at the beginning of the year		242,425,555	228,647,028
Additions		390,973,492	342,940,926
Disposals		(441,560,503)	(339,654,315)
Realised gains/(loss) on disposal of financial assets at fair value		8,898,720	4,824,566
Unrealised (loss)/gain on revaluation of financial assets at fair value		(5,253,596)	(6,749,938)
Investment income on financial assets at fair value	18	15,715,543	13,398,694
Investment management fees	20	(949,110)	(981,406)
Fair value at the end of the year		<u>210,250,101</u>	<u>242,425,555</u>
Total financial assets at fair value through profit or loss:			
Non-current		157,497,680	171,456,282
Current		<u>52,752,421</u>	<u>70,969,273</u>
		<u>210,250,101</u>	<u>242,425,555</u>
Financial assets are invested in:			
Bonds		77,416,381	77,264,856
Equity		52,752,421	70,969,273
Money-market instruments		72,600,715	85,260,433
Property		7,480,584	8,930,993
		<u>210,250,101</u>	<u>242,425,555</u>

The investments included above are administered by Allan Gray Life Ltd, Nedgroup Investments, Sanlam Investment Management (Pty) Ltd and Ninety One Fund Managers SA (RF) (Pty) Ltd. The fair values of these investments are based on market value at the reporting date. Refer to Note 30.

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

**3. TRADE AND OTHER RECEIVABLES**

<b>Financial receivables*</b>		<b>RESTATED**</b>
Accrued interest		
- Standard Bank current account		26,520
- Nedgroup Corporate Money Market Fund		169,235
		<u>195,755</u>
		<u>143,270</u>

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

\*\* The 2022 comparatives have been restated as a result of changes in significant Accounting Policies due to the adoption of IFRS 17. Refer to Note 1.1 on standards that are effective on or after 1 January 2023 for detailed changes in significant Accounting Policies and the transition in Note 34.

Please refer to Note 30 for details of the Fund's exposure to credit risk.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2023 (continued)**

**4. CASH AND CASH EQUIVALENTS**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
Current account	<u>976,418</u>	<u>576,900</u>

Total interest earned on the bank account was R267,407 (2022: R174,266). The average effective interest rate on the current account was 6.10% (2022: 3.39%). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

The current account is held with Standard Bank of South Africa, which had a credit rating of BB- (2022: BB-) as at 31 December 2023, and therefore no expected credit loss was raised.

**5. INVESTMENT OF MEDICAL SAVINGS ACCOUNTS (MSAs)**

Standard Bank call account	<u>-</u>	<u>25,658,342</u>
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The average interest rate on this call account was 6.55% (2022: 3.99%). In terms of its Rules, interest accrues to the Fund and is therefore not allocated to the members' medical savings accounts (MSAs). The mismatch between the MSA liability and investment relates to timing differences. These differences cleared after year end. This account was closed in December 2023.

Ninety One STeFI Plus Fund	<u>27,277,057</u>	<u>-</u>
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The average interest rate on this call account was 9.13%. In terms of its Rules, interest accrues to the Fund and is therefore not allocated to the members' MSAs. The mismatch between the MSA liability and investment relates to timing differences. These differences cleared after year end. This account was opened in December 2023.

**6. TRADE AND OTHER PAYABLES**

		<b>RESTATED*</b>
<b>Financial payables</b>		
Provision for audit fees	896,476	588,525
Sundry payables and provisions	<u>8,421</u>	<u>7,911</u>
	<u>904,897</u>	<u>596,436</u>

\* The 2022 comparatives have been restated as a result of changes in significant Accounting Policies due to the adoption of IFRS 17. Refer to Note 1.1 on standards that are effective on or after 1 January 2023 for detailed changes in significant Accounting Policies and the transition in Note 34.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2023 (continued)**

**7. MEDICAL SAVINGS ACCOUNTS (MSAs)**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
Balance on savings liability at the beginning of the year	27,175,584	25,319,247
Less: Advances on MSA at the beginning of the year	(35,928)	(45,976)
Balance on MSA liability at the beginning of the year	27,139,656	25,273,271
Add:	64,720,125	66,130,026
MSA contribution received/receivable for the year	64,363,249	65,839,500
MSA adjustments	356,876	290,526
Less:	(63,013,621)	(64,263,641)
Claims paid on behalf of members	(61,379,312)	(62,803,620)
Refunds on death or resignations	(1,634,309)	(1,460,021)
	28,846,160	27,139,656
Add: Advances on MSA at the end of the year	39,717	35,928
MSA balance due to members at the end of the year	28,885,877	27,175,584

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

It is estimated that claims to be paid from MSAs, in respect of claims incurred in 2023, but not yet recorded, will amount to R1,257,946 (2022: R1,539,915) (refer to Note 10). Advances on MSAs are included in insurance contract assets.

The MSA liability contains a demand feature in terms of Regulation 10 of the Medical Schemes Act 131 of 1998, that any credit balance on a MSA must be taken as a cash benefit when the member terminates their membership of the Fund and then enrolls in another medical scheme without a MSA or does not enroll on another medical scheme.

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

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2023 (continued)**

**8. ANALYSIS OF INSURANCE LIABILITIES**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
Insurance contract liabilities – liability attributable to future members	189,846,995	223,991,231
Insurance contract liabilities – liability attributable to current members	51,992,606	47,727,999
	<u>241,839,601</u>	<u>271,719,230</u>

**8.1 Insurance contract liabilities – liability attributable to current members**

**Reconciliation of the liability for remaining coverage and the liability for incurred claims**

**2023**

	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
	<b>LRC *</b>	<b>LIC **</b>	<b>RA ****</b>	<b>Total</b>
		<b>BEL ***</b>		
<b>Net opening balance</b>	-	47,264,147	463,852	47,727,999
<b>Insurance revenue</b>	(361,387,717)	-	-	(361,387,717)
<b>Insurance service expenses</b>				
Incurred claims and other insurance service expenses	-	389,059,979	-	389,059,979
Changes that relate to past service – adjustments to the LIC	-	17,625,382	111,006	17,736,388
Third-party claims recoveries	-	(272,104)	-	(272,104)
<b>Insurance service result</b>	<b>(361,387,717)</b>	<b>406,413,257</b>	<b>111,006</b>	<b>45,136,546</b>
Premium debtors to LIC	581,321	(581,321)	-	-
Investment component	(64,363,249)	64,363,249	-	-
<b>Cashflows</b>				
Premiums received	425,169,645	-	-	425,169,645
Incurred claims and other insurance service expenses paid	-	(466,041,584)	-	(466,041,584)
<b>Total cashflows</b>	<b>425,169,645</b>	<b>(466,041,584)</b>	<b>-</b>	<b>(40,871,939)</b>
<b>Net closing balance</b>	<b>-</b>	<b>51,417,748</b>	<b>574,858</b>	<b>51,992,606</b>
<b>Closing assets</b>				
<b>Closing liabilities</b>				
Liability for incurred claims (Note 10)				21,990,738
Medical savings account (MSA) (Note 7)				28,885,877
Insurance payables				4,289,526
Insurance receivables				(3,173,535)
				<u>51,992,606</u>

\* LRC – liability for remaining coverage

\*\* LIC – liability for incurred claims

\*\*\* BEL – best estimate liability

\*\*\*\* RA – risk adjustment

8. ANALYSIS OF INSURANCE LIABILITIES (CONTINUED)

8.1 Insurance contract liabilities – liability attributable to current members (continued)

Reconciliation of the liability for remaining coverage and the liability for incurred claims

2022

	R LRC*	R BEL ***	R LIC** RA****	R Total
<b>Net opening balance</b>	-	37,917,242	591,163	38,508,405
<b>Insurance revenue</b>	(336,483,652)	-	-	(336,483,652)
<b>Insurance service expenses</b>				
Incurring claims and other insurance service expenses	-	317,805,248	-	317,805,248
Changes that relate to past service – adjustments to the LIC	-	15,856,893	(127,311)	15,729,582
Third-party claims recoveries	-	(461,018)	-	(461,018)
<b>Insurance service result</b>	<b>(336,483,652)</b>	<b>333,201,123</b>	<b>(127,311)</b>	<b>(3,409,840)</b>
Premium debtors to LIC	228,377	(228,377)	-	-
Investment component	(65,839,500)	65,839,500	-	-
<b>Cashflows</b>				
Premiums received	402,094,775	-	-	402,094,775
Incurring claims and other insurance service expenses paid	-	(389,465,341)	-	(389,465,341)
<b>Total cashflows</b>	<b>402,094,775</b>	<b>(389,465,341)</b>	<b>-</b>	<b>12,629,434</b>
<b>Net closing balance</b>	<b>-</b>	<b>47,264,147</b>	<b>463,852</b>	<b>47,727,999</b>
<b>Closing liabilities</b>				
Liability for incurred claims (Note 10)				19,195,962
Medical savings account (MSA) (Note 7)				27,175,584
Insurance payables				3,931,007
Insurance receivables				(2,574,554)
				<b>47,727,999</b>

\* LRC – liability for remaining coverage

\*\* LIC – liability for incurred claims

\*\*\* BEL – best estimate liability

\*\*\*\* RA – risk adjustment

8.2 Insurance contract liabilities – liability attributable to future members

	2023 R	2022 R
Opening balance	223,991,231	216,921,120
Movement in insurance contract liability attributable to future members	(34,144,236)	7,070,111
Closing balance	<u>189,846,995</u>	<u>223,991,231</u>

**WOOLTRU HEALTHCARE FUND**  
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**31 December 2023 (continued)**

**9. RISK TRANSFER ARRANGEMENTS**

**2023**

	R	R	R
	Remaining coverage component	Incurred claims for contracts under the PAA	Total
<b>Opening re-insurance contract assets</b>	-	(3,459,114)	(3,459,114)
<b>Net income/(expenses) from re-insurance contract held</b>			-
Re-insurance expenses	(66,193,930)	-	(66,193,930)
Changes that relate to past service – adjustments to the LIC	-	(638,538)	(638,538)
Claims recovered	-	72,936,392	72,936,392
<b>Total changes in the Statement of Profit or Loss and OCI</b>	(66,193,930)	72,297,854	6,103,924
<b>Cashflows</b>			
Premiums paid	66,193,930	-	66,193,930
Amounts received	-	(72,936,392)	(72,936,392)
<b>Total cashflows</b>	66,193,930	(72,936,392)	(6,742,462)
<b>Closing re-insurance contract assets</b>	-	(4,097,652)	(4,097,652)
<b>Closing assets</b>			
Liability for incurred claims (Note 10)			(4,097,652)

**2022**

	R	R	R
	Remaining coverage component	Incurred claims for contracts under the PAA	Total
<b>Opening re-insurance contract assets</b>	-	(2,819,913)	(2,819,913)
<b>Net income/(expenses) from re-insurance contract held</b>			-
Re-insurance expenses	(57,856,696)	-	(57,856,696)
Changes that relate to past service – adjustments to the LIC	-	(639,201)	(639,201)
Claims recovered	-	63,377,450	63,377,450
<b>Total changes in the Statement of Profit or Loss and OCI</b>	(57,856,696)	62,738,249	4,881,553
<b>Cashflows</b>			
Premiums paid	57,856,696	-	57,856,696
Amounts received	-	(63,377,450)	(63,377,450)
<b>Total cashflows</b>	57,856,696	(63,377,450)	(5,520,754)
<b>Closing re-insurance contract assets</b>	-	(3,459,114)	(3,459,114)
<b>Closing assets</b>			
Liability for incurred claims (Note 10)			(3,459,114)

**WOOLTRU HEALTHCARE FUND**  
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**10. LIABILITY FOR INCURRED CLAIMS**

	R	R	R
	Risk adjustment – liability for incurred claims	Covered by re-insurance contracts	Not covered by re- insurance contracts
<b>2023</b>			
Liability for incurred claims	574,858	4,097,652	17,318,228
<i>Analysis of movements in outstanding claims</i>			
Balance at beginning of year	463,852	3,459,114	15,272,996
Payments in respect of prior year	-	(3,459,114)	(14,941,612)
Overprovision in respect of prior year	463,852	-	331,384
Adjustment for current year	111,006	4,097,652	16,986,844
Balance at end of year	574,858	4,097,652	17,318,228
<i>Analysis of liability for incurred claims</i>			
Estimated gross liability for incurred claims	574,858	-	16,060,282
Liability for incurred claims relating to risk transfer arrangements	-	4,097,652	-
Less: Liability for incurred claims from MSA	-	-	1,257,946
Balance at end of year	574,858	4,097,652	17,318,228
Total liability for incurred claims at end of year			21,990,738
<b>2022</b>			
Liability for incurred claims	463,852	3,459,114	15,272,996
<i>Analysis of movements in outstanding claims</i>			
Balance at beginning of year	591,163	2,819,913	16,640,080
Payments in respect of prior year	-	(2,819,913)	(16,584,775)
Overprovision in respect of prior year	591,163	-	55,305
Adjustment for current year	(127,311)	3,459,114	15,217,691
Balance at end of year	463,852	3,459,114	15,272,996
<i>Analysis of liability for incurred claims</i>			
Estimated gross liability for incurred claims	463,852	-	16,812,911
Liability for incurred claims relating to risk transfer arrangements	-	3,459,114	-
Less: Liability for incurred claims from MSA	-	-	(1,539,915)
Balance at end of year	463,852	3,459,114	15,272,996
Total liability for incurred claims at end of year			19,195,962

**10. LIABILITY FOR INCURRED CLAIMS (CONTINUED)**

The liability for incurred 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 conducted monthly. There is more emphasis on current trends.

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

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

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

Such reasons include:

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

*Assumptions*

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

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

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

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

	<b>2023</b>	<b>2022</b>
Claims outstanding for:	%	%
December	60	67
November	17	10
October	6	4
September	2	2
August and prior	0	0

**WOOLTRU HEALTHCARE FUND**  
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**10. LIABILITY FOR INCURRED CLAIMS (CONTINUED)**

*Changes in assumptions and sensitivities to changes in key variables*

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

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

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

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

	<b>Change in liability 2023 R</b>	<b>Change in liability 2022 R</b>
Effect of a 1-percentage point change in all the assumed percentages	1,392,195	1,315,521
Effect of a 2-percentage point change in all the assumed percentages	2,831,105	2,645,222
Effect of a 3-percentage point change in all the assumed percentages	4,319,668	3,989,333

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

**11. INSURANCE REVENUE**

Gross insurance revenue per registered Rules	425,750,966	402,323,152
Less: MSA contributions received/accrued	(64,363,249)	(65,839,500)
	<u>361,387,717</u>	<u>336,483,652</u>

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

**WOOLTRU HEALTHCARE FUND**  
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**12. NET CLAIMS INCURRED**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>Claims incurred, excluding claims incurred in respect of risk transfer arrangements</b>		
Current year claims per registered Rules	353,086,097	293,098,066
Less:	(61,858,489)	(63,270,123)
- MSA claims paid	(61,379,312)	(62,803,620)
- Discount received on claims	(479,177)	(466,503)
	<u>291,227,608</u>	<u>229,827,943</u>
<p>Claims are paid on behalf of the members from their MSAs in terms of Regulation 10(3) and the Fund's registered Rules. Refer to Note 7 for a breakdown of the movement in these balances.</p>		
<b>Claims incurred in respect of risk transfer arrangements</b>		
Current year claims in respect of risk transfer arrangement	68,838,740	59,918,336
Movement in outstanding risk claims provision	4,097,652	3,459,114
	<u>72,936,392</u>	<u>63,377,450</u>
<b>Third-party claims recoveries</b>		
	<u>364,164,000</u>	<u>293,205,393</u>
<b>Changes that relate to past service – adjustments to the LIC</b>	17,097,850	15,090,381
- Under/(Over) provision in the prior year	(795,236)	(646,467)
- Provision for the current year	17,893,086	15,736,848

**13. ACCREDITED MANAGED HEALTHCARE EXPENSES**

Centre for Diabetes and Endocrinology (CDE)	676,332	191,927
Dental benefit management services	299,447	-
Designated network healthcare provider fees	878,827	869,766
Electronic benefit management	439,414	862,723
HIV programme	472,497	431,362
HomeCare*	2,018,933	463,934
Hospital risk management	1,387,802	2,276,534
Medicine risk management	885,615	1,362,751
Oncology management	307,081	301,073
Prescribed minimum benefit (PMB) management	693,900	681,375
	<u>8,059,848</u>	<u>7,441,445</u>

**WOOLTRU HEALTHCARE FUND**  
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**14. ATTRIBUTABLE EXPENSES INCURRED**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
Actuarial fees	991,255	921,428
- IBNR calculation	180,230	167,536
- Pricing and benefit design	811,025	753,892
Administration fees paid in respect of accredited services:	22,347,702	21,539,199
- Administrator	21,933,060	21,144,198
- Administration expenditure: benefit management services (not accredited managed care)	414,642	395,001
Member communication	92,844	79,751
Third-party claims recovery administration fees	146,792	138,786
	23,578,593	22,679,164

**15. NET INCOME ON RISK TRANSFER ARRANGEMENTS**

Premiums paid		
- Momentum Health Solutions (Pty) Ltd (Saver and Comprehensive Options)	15,240,378	14,794,826
- Momentum Health Solutions (Pty) Ltd (Network Option)	50,953,552	43,061,870
	66,193,930	57,856,696
Recoveries received	(72,936,392)	(63,377,450)
- Momentum Health Solutions (Pty) Ltd (Saver and Comprehensive Options)	(16,093,013)	(14,535,588)
- Momentum Health Solutions (Pty) Ltd (Network Option)	(56,843,379)	(48,841,862)
	(6,742,462)	(5,520,754)

**Overview of terms and conditions of risk transfer agreements**

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

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

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

**WOOLTRU HEALTHCARE FUND**  
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**16. ADMINISTRATION FEES AND OTHER OPERATING EXPENSES**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
Actuarial services – other	811,025	753,892
Audit fees (external – PWC)	1,179,029	626,650
Audit fees (internal – KPMG)	421,711	401,312
Bank charges	139,884	138,467
Board of Healthcare Funders (BHF) levies	162,057	156,444
Compliance and governance services	2,649,866	2,557,806
Council for Medical Schemes (CMS) levies	436,075	429,783
Debt recovery charges	10,097	6,831
Fraud	574,948	554,128
Health quality assessment (HQA)	89,127	62,654
Independent Committee members' fees	63,600	60,000
Medical Advisor's fees	773,400	729,600
Printing, postage, stationery and communication services	2,051	3,856
Principal Officer's remuneration	2,324,361	1,924,812
Principal Officer's discretionary budget	2,746	2,770
Seminar and travel expenses (non-Trustees)	18,511	3,276
Sundry expense	4,800	-
Trustee liability insurance	74,624	70,400
Trustee remuneration	63,600	60,000
	<u>9,801,512</u>	<u>8,542,681</u>

**17. NET IMPAIRMENT LOSS ON HEALTHCARE RECEIVABLES**

*Insurance contract assets*

Contributions at risk of not being collected

Decrease/(Increase) in provision for doubtful debts

	22,852	(6,882)
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Members' and healthcare service providers' claim portions at risk of not being collected

Decrease/(Increase) in provision for doubtful debts

	251,110	(565)
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Bad debts

	(53,910)	103,164
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	<u>220,052</u>	<u>95,717</u>
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**18. INVESTMENT INCOME**

Interest income on financial assets at fair value through profit or loss

	10,468,245	8,840,159
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Dividend income on financial assets at fair value through profit or loss

	5,247,298	4,558,535
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Interest income on cash and cash equivalents

	1,963,779	1,167,552
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	<u>17,679,322</u>	<u>14,566,246</u>
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**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**19. NET REALISED GAINS/(LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
Realised gains on financial assets at fair value through profit or loss	8,952,720	5,087,287
Realised losses on financial assets at fair value through profit or loss	(54,000)	(262,721)
	<u>8,898,720</u>	<u>4,824,566</u>

**20. INVESTMENT MANAGEMENT FEES**

Allan Gray Life Ltd	650,963	679,764
Sanlam Investment Management (Pty) Ltd	298,147	301,642
	<u>949,110</u>	<u>981,406</u>

**21. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD**

At the date of finalisation of the Annual Financial Statements on 23 April 2024, there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the Annual Financial Statements.

**22. CAPITAL ADEQUACY RISK**

The solvency ratio at year end was 44.59% (2022: 54.89%). There are sufficient reserves to provide for adverse variations on present and future experiences.

**23. CONTINGENT LIABILITIES**

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees and suretyships or the like at 31 December 2023.

**24. CONTINGENT ASSET**

At year end, claims amounting to R7,251,309 (2022: R6,419,444) had been lodged with the Road Accident Fund (RAF) relating to past medical expenses already paid, with the potential recovery value of R4,713,351 (2022: R4,172,639). These recoveries are dependent on finalisation by the RAF and corresponding legal processes which can take a number of years to conclude.

**25. CRITICAL ACCOUNTING JUDGEMENT AND KEY ESTIMATION ASSUMPTIONS**

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

The assumption used to determine the liability for incurred claims is a key assumption that has a significant risk of causing a material adjustment to the carrying amounts of liabilities in the next financial year (refer to Note 10). When arriving at this provision, it is assumed that the reporting and settlement trend of claims incurred but not reported will be similar to that of the previous financial period. The provision is based on percentages derived from the previous financial period, adjusted for changes in assumptions regarding the expected percentages of claims to be settled in respect of each of the four months preceding the financial year end, in the following financial period before the claims become stale.

The Fund applies judgement in assessing the expected credit losses relating to financial assets. Refer to Note 1.5 on Principal Accounting Policies for more information on the areas of estimation.

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

**WOOLTRU HEALTHCARE FUND**  
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**26. SURPLUS/(DEFICIT) PER BENEFIT OPTION**

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

<b>2023</b>	<b>Network Option</b>	<b>Saver Option</b>	<b>Compre- hensive Option</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Insurance revenue	62,299,804	266,693,428	32,394,485	361,387,717
Insurance service expenses	(54,639,690)	(301,387,865)	(49,858,170)	(405,885,725)
Claims incurred	(56,843,380)	(260,050,821)	(47,269,799)	(364,164,000)
Changes that relate to past service – adjustments to the LIC	-	(14,755,384)	(2,342,466)	(17,097,850)
Third-party claims recoveries	-	256,979	15,125	272,104
Accredited managed healthcare services (no transfer of risk)	-	(7,611,026)	(448,822)	(8,059,848)
Net expenses from risk transfer arrangement re-insurance				
- Amount recovered from risk transfer arrangement re-insurance	56,843,379	13,949,668	2,143,345	72,936,392
- Amount allocation of premiums paid	(50,953,552)	(14,391,746)	(848,632)	(66,193,930)
Attributable expenses incurred	(3,686,137)	(18,785,535)	(1,106,921)	(23,578,593)
<b>Insurance service result</b>	<b>7,660,114</b>	<b>(34,694,437)</b>	<b>(17,463,685)</b>	<b>(44,498,008)</b>
<b>Other income</b>	<b>6,668,397</b>	<b>18,801,041</b>	<b>1,108,604</b>	<b>26,578,042</b>
Investment income	4,443,698	12,498,641	736,983	17,679,322
Unrealised gains on investments at fair value through profit or loss	2,224,699	6,302,400	371,621	8,898,720
<b>Other expenditure</b>	<b>(3,682,143)</b>	<b>(11,844,570)</b>	<b>(697,557)</b>	<b>(16,224,270)</b>
Administration fees and other insurance expenses	(2,100,146)	(7,272,652)	(428,714)	(9,801,512)
Investment management fees	(238,540)	(671,005)	(39,565)	(949,110)
Net impairment loss on healthcare receivables	(54,761)	(156,105)	(9,186)	(220,052)
Unrealised loss on investments at fair value through profit or loss	(1,288,696)	(3,744,808)	(220,092)	(5,253,596)
<b>Profit/(Loss) for the year</b>	<b>10,646,368</b>	<b>(27,737,966)</b>	<b>(17,052,638)</b>	<b>(34,144,236)</b>

**WOOLTRU HEALTHCARE FUND**  
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**26. SURPLUS/(DEFICIT) PER BENEFIT OPTION (CONTINUED)**

<b>2022</b>	<b>Network Option</b>	<b>Saver Option</b>	<b>Compre- hensive Option</b>	<b>TOTAL</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Insurance revenue	52,228,289	254,553,072	29,702,291	336,483,652
Insurance service expenses	(46,229,418)	(253,457,639)	(32,747,554)	(332,434,611)
Claims incurred	(48,841,863)	(213,059,858)	(31,303,672)	(293,205,393)
Changes that relate to past service – adjustments to the LIC	-	(13,768,952)	(1,321,429)	(15,090,381)
Third-party claims recoveries	-	435,797	25,221	461,018
Accredited managed healthcare services (no transfer of risk)	-	(7,043,294)	(398,151)	(7,441,445)
Net expenses from risk transfer arrangement re-insurance				
- Amount recovered from risk transfer arrangement re-insurance	48,841,862	12,399,509	2,136,079	63,377,450
- Amount allocation of premiums paid	(43,061,870)	(13,982,364)	(812,462)	(57,856,696)
Attributable expenses incurred	(3,167,547)	(18,438,477)	(1,073,140)	(22,679,164)
<b>Insurance service result</b>	<b>5,998,871</b>	<b>1,095,433</b>	<b>(3,045,263)</b>	<b>4,049,041</b>
<b>Other income</b>	<b>4,421,854</b>	<b>14,145,443</b>	<b>823,515</b>	<b>19,390,812</b>
Investment income	3,320,093	10,628,127	618,026	14,566,246
Unrealised gains on investments at fair value through profit or loss	1,101,761	3,517,316	205,489	4,824,566
<b>Other expenditure</b>	<b>(3,370,668)</b>	<b>(12,274,323)</b>	<b>(724,751)</b>	<b>(16,369,742)</b>
Administration fees and other insurance expenses	(1,658,914)	(6,495,105)	(388,662)	(8,542,681)
Investment management fees	(223,868)	(715,940)	(41,598)	(981,406)
Net impairment loss on healthcare receivables	(20,789)	(70,819)	(4,109)	(95,717)
Unrealised loss on investments at fair value through profit or loss	(1,467,097)	(4,992,459)	(290,382)	(6,749,938)
<b>Profit/(Loss) for the year</b>	<b>7,050,057</b>	<b>2,966,553</b>	<b>(2,946,499)</b>	<b>7,070,111</b>

**27. RELATED-PARTY TRANSACTIONS**

**Related-party relationships:**

**Parties with influence over the Fund**

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

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

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

Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd has significant influence over the Fund, as it manages the Fund's investments, which comprise a material portion of the Fund's total assets.

These entities do not have significant influence for the purposes of accounting for associates in terms of IFRS Accounting Standards.

**Key management personnel and their close family members**

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

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

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**27. RELATED-PARTY TRANSACTIONS (CONTINUED)**

**Transactions with related parties**

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

**Key management personnel**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<i>Compensation</i>		
Principal Officer's salary	2,327,107	1,927,582
Remuneration	2,324,361	1,924,812
Statutory payments made by the Fund	2,746	2,770
Medical Advisor's fees	773,400	729,600
Trustee remuneration and independent Committee members' fees	127,200	120,000
	<u>3,227,707</u>	<u>2,777,182</u>

**Statement of Comprehensive Income**

Insurance revenue received	700,280	669,165
Claims incurred	451,932	1,418,101

**Statement of Financial Position**

Investments in participating Employers of members		
Truworths International	131,522	116,041
Woolworths Holdings Limited	1,677,220	2,052,559

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

<b>Transaction</b>	<b>Nature of transactions and terms and conditions thereof</b>
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.

**27. RELATED-PARTY TRANSACTIONS (CONTINUED)**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<i>Other transactions</i>		
<b>Transactions with entities that have significant influence over the Fund</b>		
<b>Statement of Comprehensive Income</b>		
Administration fees paid in respect of accredited services:	22,347,702	21,539,199
- Administrator	21,933,060	21,144,198
- Administration expenditure: benefit management services (not accredited managed care)	414,642	395,001
Managed healthcare fees and capitation premiums paid to Momentum Health Solutions (Pty) Ltd	74,253,778	65,298,141
Claims recoveries from Momentum Health Solutions (Pty) Ltd	(72,936,392)	(63,377,450)
Investment management fees paid to the appointed Investment Managers	949,110	981,406
Actuarial and investment consulting fees paid to NMG Consultants and Actuaries (Pty) Ltd	1,802,280	1,675,320

**Statement of Financial Position**

Investments in the holding company of the Administrator	129,538	127,034
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**Terms and conditions of the administration agreement – accredited services**

The administration agreement with Momentum Health Solutions (Pty) Ltd is in terms of the Rules of the Fund, the provisions of the Medical Schemes Act 131 of 1998 and in accordance with instructions given by the Trustees of the Fund. The agreement is reviewed annually and is renewable depending on fee negotiations unless notification of termination is received. The Fund has the right to terminate the agreement on 90 days' notice. Fees are calculated on an arm's-length basis on market-related terms.

**Terms and conditions of the administration agreement – other services**

The administration agreement with Momentum Health Solutions (Pty) Ltd is in terms of the Rules of the Fund, the provisions of the Medical Schemes Act 131 of 1998 and in accordance with instructions given by the Trustees of the Fund. The agreement is reviewed annually and is renewable depending on fee negotiations unless notification of termination is received. The Fund has the right to terminate the agreement on 90 days' notice. Fees are calculated on an arm's-length basis on market-related terms.

**Terms and conditions of the risk transfer arrangements**

The risk transfer agreements with Momentum Health Solutions (Pty) Ltd is in terms of the Rules of the Fund and the provisions of the Medical Schemes Act 131 of 1998 and in accordance with instructions given by the Trustees of the Fund. The agreements are reviewed annually and is renewable depending on fee negotiations unless notification of termination is received. The Fund has the right to terminate the agreement on 90 days' notice. Fees are calculated on an arm's-length basis on market-related terms.

**Terms and conditions of the managed healthcare agreement**

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

**27. RELATED-PARTY TRANSACTIONS (CONTINUED)**

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

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

**Terms and conditions of the actuarial and investment consulting agreement**

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

**28. INSURANCE RISK MANAGEMENT**

*Risk management objectives and policies for mitigating insurance risk*

The primary insurance activity conducted 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, and the monitoring of emerging issues. Certain risks are mitigated by entering into risk transfer arrangements, as set out in Note 15.

The Fund uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

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

**WOOLTRU HEALTHCARE FUND**  
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**28. INSURANCE RISK MANAGEMENT (CONTINUED)**

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

**2023**

Age grouping (in years)	Number of beneficiaries	General practitioners	Specialists	Dentistry	Optometry	Medication	Hospital	Other	Total
		R	R	R	R	R	R	R	R
<25	5,390	604,512	8,332,915	99,341	-	2,905,333	15,730,597	2,287,205	29,959,903
25 – 34	2,191	447,179	5,345,378	87,071	-	891,074	8,250,830	1,448,657	16,470,189
35 – 49	5,193	1,501,984	23,100,969	199,194	-	8,480,164	31,437,230	11,181,128	75,900,669
50 – 64	2,405	888,775	20,464,686	112,309	-	8,392,599	28,718,386	6,366,483	64,943,238
>64	1,442	1,011,879	31,145,265	119,412	-	10,096,820	46,984,645	14,351,044	103,709,065
Momentum Health Solutions (Network Option)	-	7,776,188	5,873,297	1,163,642	720,697	5,003,751	29,055,186	3,397,510	52,990,271
Momentum Health Solutions (Saver and Comprehensive Options)	-	-	-	-	-	16,093,013	-	-	16,093,013
	16,621	12,230,517	94,262,510	1,780,969	720,697	51,862,754	160,176,874	39,032,027	360,066,348
Movement in liability for incurred claims									21,195,502
Total									381,261,850

**WOOLTRU HEALTHCARE FUND  
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**28. INSURANCE RISK MANAGEMENT (CONTINUED)**

**2022**

Age grouping (in years)	Number of beneficiaries	General practitioners	Specialists	Dentistry	Optometry	Medication	Hospital	Other	Total
		R	R	R	R	R	R	R	R
<25	5,656	639,595	6,867,520	103,885	-	2,179,091	12,507,716	1,746,469	24,044,276
25 – 34	2,414	433,945	5,005,137	66,948	-	1,115,214	8,311,645	1,547,401	16,480,290
35 – 49	5,228	1,378,726	17,998,680	151,365	-	9,444,363	26,070,385	8,671,393	63,714,912
50 – 64	2,387	669,927	17,025,039	515,874	-	7,576,739	23,586,663	4,134,048	53,508,290
>64	1,395	732,294	21,122,570	143,962	-	8,171,569	31,348,288	10,281,295	71,466,270
Momentum Health Solutions (Network Option)	-	4,420,581	5,545,515	1,014,241	431,146	2,238,558	28,758,123	3,127,470	45,535,634
Momentum Health Solutions (Saver & Comprehensive Options)	-	-	-	-	-	14,535,589	-	-	14,535,589
	17,080	8,275,068	73,564,461	1,996,275	431,146	45,261,123	130,582,820	29,508,076	289,618,968
Movement in liability for incurred claims									18,676,805
Total									308,295,773

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

The Fund's insurance risk is considered annually in consultation with the Fund's Actuaries, Administrator and Medical Advisor and uses diverse measures to mitigate risk. It is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The benefits to be provided on each benefit option is considered during the process.

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

*Risk transfer arrangements*

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

**28. INSURANCE RISK MANAGEMENT (CONTINUED)**

*Claims development*

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

*Insurance risk sensitivity analysis*

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

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

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

*Impact of the sensitivity of the assumed percentages*

	<b>Change in liability 2023</b>	<b>Change in liability 2022</b>
	<b>R</b>	<b>R</b>
Effect of a 1-percentage point change in all the assumed percentages	1,392,195	1,315,521
Effect of a 2-percentage point change in all the assumed percentages	2,831,105	2,645,222
Effect of a 3-percentage point change in all the assumed percentages	4,319,668	3,989,333

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

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

**29. CAPITAL MANAGEMENT**

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

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

The Fund monitors capital using a solvency ratio, which is accumulated funds divided by gross contributions (refer to paragraph 3.3 on page 22 of in the Report of the Board of Trustees). The Fund uses accumulated funds, excluding cumulative unrealised gains on investments at fair value, as a measure of capital.

The Medical Schemes Act 131 of 1998 requires the Fund to maintain a solvency ratio of no less than 25%.

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

**WOOLTRU HEALTHCARE FUND**  
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**30. FINANCIAL RISK MANAGEMENT**

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

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>Financial assets</b>		
Financial assets at fair value (mandatory at fair value through profit or loss)	202,769,517	233,494,562
Bonds	77,416,381	77,264,856
Equity	52,752,421	70,969,273
Money-market instruments	72,600,715	85,260,433
Amortised cost		
Cash and cash equivalents (mandatory at amortised cost)	976,418	576,900
Financial receivables (mandatory at amortised cost)	143,270	195,755
Re-insurance contract assets	4,097,652	3,459,114
<b>Financial liabilities</b>		
Insurance contract liabilities to present members	51,992,606	47,727,999
Financial payables	904,897	596,434

**Risk management**

The Fund's activities expose it to a variety of financial risks, including the effects of changes in equity market prices and interest rates. The Fund's overall risk management programme focusses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Fund holds to meet its obligations to its members.

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

*Liquidity risk*

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

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

**WOOLTRU HEALTHCARE FUND**  
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**30. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Liquidity risk (continued)*

At year end, R46,357,457 (2022: R43,569,426) of the Fund's assets were invested in cash or cash equivalents, and money-market instruments, to ensure that it can meet its short-term liabilities. The table below illustrates the prudent liquidity profile of the Fund:

	<b>Up to 1 month</b>	<b>2 – 3 months</b>	<b>4 – 12 months</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2023</b>				
<b>To satisfy:</b>				
Liability for incurred claims	12,965,061	-	9,025,677	21,990,738
Medical savings accounts	171,321	-	28,714,556	28,885,877
Insurance payables	4,289,526	-	-	4,289,526
Financial payables	8,419	135,173	761,305	904,897
<b>Total</b>	<b>17,434,327</b>	<b>135,173</b>	<b>38,501,538</b>	<b>56,071,038</b>
<b>2022</b>				
	<b>Up to 1 month</b>	<b>2 – 3 months</b>	<b>4 – 12 months</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>To satisfy:</b>				
Liability for incurred claims	10,867,445	2,124,984	5,739,681	18,732,110
Medical savings accounts	116,051	175,842	26,883,691	27,175,584
Insurance payables	3,931,008	-	-	3,931,008
Financial payables	64,495	347,408	184,531	596,434
<b>Total</b>	<b>14,978,999</b>	<b>2,648,234</b>	<b>32,807,903</b>	<b>50,435,136</b>

*Credit risk*

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

Cash and cash equivalents are invested only with high credit-quality financial institutions. Cash is held with Standard Bank of South Africa, which had a credit rating of BB- (2022: BB-) as at 31 December 2023. The Fund invests in pooled investment vehicles with reputable institutions. The investments are highly liquid and can be disinvested at any time. The Fund has a policy of limiting the amount of credit exposure to any one financial institution.

**WOOLTRU HEALTHCARE FUND**  
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**30. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Credit risk (continued)*

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

	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>	<b>Total carrying amount</b>
<b>2023</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Insurance receivables				
- Contributions outstanding	2,908,989	20,958	43,666	2,973,613
- Recoveries from members and healthcare providers	138,388	65,482	597,749	801,619
- Medical savings account advances	39,717	-	-	39,717
- Risk transfer receivables	4,097,652	-	-	4,097,652
Financial assets at fair value through profit or loss	202,769,517	-	-	202,769,517
Cash and cash equivalents	976,418	-	-	976,418
Financial receivables	143,270	-	-	143,270
<b>Total</b>	<b>211,073,951</b>	<b>86,440</b>	<b>641,415</b>	<b>211,801,806</b>

<b>2022</b>				
Insurance receivables				
- Contributions outstanding	2,360,485	10,993	20,814	2,392,292
- Recoveries from members and healthcare providers	103,324	63,824	454,458	621,606
- Medical savings account advances	35,928	-	-	35,928
- Risk transfer receivables	3,459,114	-	-	3,459,114
Financial assets at fair value through profit or loss	233,494,562	-	-	233,494,562
Cash and cash equivalents	576,900	-	-	576,900
Financial receivables	195,755	-	-	195,755
<b>Total</b>	<b>240,226,068</b>	<b>74,817</b>	<b>475,272</b>	<b>240,776,157</b>

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2023 (continued)**

**30. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Credit risk (continued)*

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

	<b>30 days</b>	<b>60 days</b>	<b>90 days</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2023</b>				
- Contributions outstanding	13,426	7,532	-	20,958
- Amounts recoverable from members and healthcare providers	38,667	11,787	15,028	65,482
<b>Past due total</b>	<b>52,093</b>	<b>19,319</b>	<b>15,028</b>	<b>86,440</b>

**2022**

- Contributions outstanding	8,479	2,514	-	10,993
- Amounts recoverable from members and healthcare providers	26,469	34,525	2,830	63,824
<b>Past due total</b>	<b>34,948</b>	<b>37,039</b>	<b>2,830</b>	<b>74,817</b>

*Market risk*

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

*Currency risk*

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

For purposes of seeking investment diversification, the Fund has invested 0.42% (2022: 0.12%) of its investable assets in an offshore account. As at 31 December 2023, this equates to R0.89m (2022: R0.29m).

*Interest rate risk*

The Fund may hold all its investments in interest-bearing instruments. Therefore a significant portion of the Fund's investments are exposed to changes in market interest rates. The effective interest rate earned on all interest-bearing instruments in 2023 was 7.35% (2022: 8.17%). The interest earned was from a combination of fixed and floating interest-rate instruments. The floating interest rates are linked to the Johannesburg Interbank Average Rate (Jibar).

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2023 (continued)**

**30. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Interest rate risk (continued)*

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

	<b>Up to 1 month</b>	<b>1 – 6 months</b>	<b>7 – 12 months</b>	<b>More than 1 year</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2023</b>					
Financial assets at fair value*	11,250,833	21,184,741	23,054,660	94,526,862	150,017,096
Cash and cash equivalents	976,418	-	-	-	976,418
<b>Total</b>	<b>12,227,251</b>	<b>21,184,741</b>	<b>23,054,660</b>	<b>94,526,862</b>	<b>150,993,514</b>

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

<b>2022</b>					
Financial assets at fair value*	4,448,000	9,553,560	16,696,295	131,827,434	162,525,289
Cash and cash equivalents	576,900	-	-	-	576,900
<b>Total</b>	<b>5,024,900</b>	<b>9,553,560</b>	<b>16,696,295</b>	<b>131,827,434</b>	<b>163,102,189</b>

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

*Equity price risk*

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

**Market-risk sensitivity analysis**

*Fair value sensitivity analysis*

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

**30. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Market-risk sensitivity analysis (continued)**

*Fair value sensitivity analysis (continued)*

The tables below illustrate the resulting fair value change with various fluctuations in a specific variable.

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

*South African rand (ZAR) vs United States dollar (USD) currency value sensitivity analysis*

	<b>Fair value</b>	<b>5% strengthening in ZAR</b>	<b>10% strengthening in ZAR</b>	<b>20% strengthening in ZAR</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2023</b>				
Financial assets at fair value	210,250,101	207,953,996	205,657,892	201,065,683
Amount attributable to future members	(34,144,236)	(36,440,341)	(38,736,445)	(43,328,654)

<b>2022</b>				
Financial assets at fair value	242,425,555	241,376,169	240,650,161	238,874,768
Amount attributable to future members	7,070,113	6,020,726	4,971,341	2,872,570

*Interest rate sensitivity analysis*

	<b>Fair value</b>	<b>1% increase in interest rate</b>	<b>2.5% increase in interest rate</b>	<b>5% increase in interest rate</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2023</b>				
Financial assets at fair value	210,250,101	207,932,494	203,864,013	198,664,177
Amount attributable to future members	(34,144,236)	(36,461,843)	(40,530,324)	(45,730,160)

<b>2022</b>				
Financial assets at fair value	242,425,555	239,284,125	233,704,849	226,718,405
Amount attributable to future members	7,070,113	3,928,682	(1,650,594)	(8,637,038)

*Equity price sensitivity analysis*

	<b>Fair value</b>	<b>5% decrease in equity market</b>	<b>10% decrease in equity market</b>	<b>20% decrease in equity market</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2023</b>				
Financial assets at fair value	210,250,101	209,249,640	208,249,179	206,248,257
Amount attributable to future members	(34,144,236)	(35,144,697)	(36,145,158)	(38,146,080)

<b>2022</b>				
Financial assets at fair value	242,425,555	238,904,906	235,384,256	228,342,957
Amount attributable to future members	7,070,113	3,549,463	28,813	(7,012,486)

The Fund was also indirectly exposed to equity price risk as it dealt in equities. Historically, the equity investment strategy was to protect capital by limiting any loss to 5% of exposed capital. This was achieved by hedging exposures with other derivative instruments. The equity price risk was therefore limited by strategic actions by the Investment Managers.

**30. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Fair value estimation**

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

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

**Fair values of financial assets by hierarchy level**

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

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

The Fund has investments designated at Level 2 in the IFRS 13 fair value hierarchy. These instruments are all interest-bearing and their fair values are determined as is outlined below:

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

<b>2023</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Valuation technique</b>		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Financial assets at fair value					
Money-market instruments	Quoted market price	-	72,600,715	-	72,600,715
Listed equity instruments	Quoted market price	52,752,421	-	-	52,752,421
Listed bonds	Quoted market price	-	77,416,381	-	77,416,381
		<u>52,752,421</u>	<u>150,017,096</u>	<u>-</u>	<u>202,769,517</u>

<b>2022</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Valuation technique</b>		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Financial assets at fair value					
Money-market instruments	Quoted market price	-	85,260,433	-	85,260,433
Listed equity instruments	Quoted market price	70,969,273	-	-	70,969,273
Listed bonds	Quoted market price	-	77,264,856	-	77,264,856
		<u>70,969,273</u>	<u>162,525,289</u>	<u>-</u>	<u>233,494,562</u>

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

The Council for Medical Schemes stipulated, via Circular 11 of 2006, that all cases of non-compliance with the Medical Schemes Act 131 of 1998 should be disclosed in the Annual Financial Statements. The following matters are accordingly disclosed:

**31.1 Non-compliance for which the Fund has not received exemption**

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

*Nature and impact*

The Council for Medical Schemes has approved the Rules of the Wooltru Healthcare Fund in terms of Section 33(2) of the Act. As per the submission approved by the Registrar, the Saver Option was in a net deficit position of R27,737,966 (2022: surplus R2,966,553), representing 7.68% (2022: 0.89%) of the insurance revenue of the Fund. The Comprehensive Option was in a net deficit position of R17,052,638 (2022: R2,946,499), representing 4.72% (2022: 0.88%) of the insurance revenue of the Fund.

*Cause of failure*

Both the Saver and Comprehensive Options experienced an unexpected increase in in-hospital claims cost in 2023. An analysis of the increase in claims costs attributes 47% on the increase to factors related to the COVID-19 pandemic or the effects of the national lockdown. The balance of the impact (52%) is attributed to high-cost cases that are unusually high. The Trustees along with the actuarial advisors to the Fund are closely monitoring the claims patterns to understand how quickly they will return to normal or remain at the elevated levels experienced in 2023.

*Corrective action*

The 2024 year-end benefit and contribution changes will be structured to return the combined financial position of the Saver and Comprehensive Options to breakeven or close to breakeven in 2025. The Comprehensive Option is selected mostly by retired members and the age profile of this benefit option results in higher claims per member than the other benefit options. Higher contribution increases and larger benefit reductions will be considered for the Comprehensive Option to reduce the operating deficit to more reasonable levels in 2025. The Trustees have considered closing the Comprehensive Option, but closure of this benefit option would mean that these members would move to the Saver Option, and the resultant higher claiming profile would necessitate a further increase in contributions for the Saver Option in 2025.

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

*Nature and impact*

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

During the 2023 year, there were instances where contributions were received later than three days after the due date. As at 31 December 2023, there was an amount of R20,958 (2022: R10,993) outstanding. This amount represents 0.01% (2022: 0.01%) of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Act.

*Cause of failure*

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

*Corrective action*

The Fund continues to communicate to all parties responsible to emphasise the importance of prompt payment.

**31.2 Non-compliance for which the Fund has received an exemption**

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

*Nature and impact*

Wooltru Healthcare Fund, through Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd, held investments in the participating Employers and holding companies of medical scheme administrators, as at 31 December 2023. This is in contravention of Section 35(8) (a) and (c) of the Act, as the Fund is not allowed to hold shares in the holding company of an administrator or any participating Employer. See paragraph 8 on page 25 of the Report of the Board of Trustees for further detail.

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

**31.2 Non-compliance for which the Fund has received an exemption (continued)**

***Section 35(8) (a) and (c) of the Medical Schemes Act 131 of 1998 – investments (continued)***

*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 October 2022 from the Council for Medical Schemes from complying with Section 35(8) (a) and (c), insofar as it relates to investments placed with Asset Managers who invest on behalf of the Fund, and where such investment choices are not influenced by the Fund. The exemption was granted up until 30 November 2025.

**32. PROFESSIONAL LIABILITY INSURANCE**

The Fund, its Trustees and Officers of the Fund were covered under Trustee liability insurance throughout the year ended 31 December 2023. The insurance amounted to R65,000,000 (2022: R65,000,000) for any single claim and R130,000,000 (2022: R130,000,000) in aggregate.

**33. GOING CONCERN**

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

Other than the items of non-compliance disclosed in Note 31, the Trustees are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Fund.

**34. TRANSITION FOR IFRS 17 AND MUTUAL ENTITY CONSIDERATIONS**

Change in Accounting Policies as a result of the adoption of IFRS 17 have been applied using the full retrospective approach. Based on the requirements of IFRS 17, the Fund was identified as a mutual entity, which is different to the accounting under IFRS 4. It is expected that the remaining assets of the Fund will be used to pay current and future policyholders.

As the Fund is in a surplus position, it recognised a liability in its Statement of Financial Position to provide coverage to future members.

This liability is in essence incurred because the Fund is obliged to:

- provide coverage to that member;
- pay incurred claims of that member; or
- provide coverage to future members (IFRS 17.B71 liability).

On measurement of the liability to future members, the fulfilment cashflows of this liability are measured incorporating information about the fair value of the other assets and liabilities of the Fund.

As a result of the recognition of the liability to future members, an additional onerous contract liability was not recognised.

The impact on opening equity of the Fund as a result of IFRS 17 was R591,163 on 1 January 2022. The impact on insurance liabilities was R591,163. Refer to Note 10.

The classification of the Fund as a mutual entity resulted in the Fund not having a Statement of Changes in Funds and Reserves beyond the opening statement in its Financial Statements. The Fund applied the transition provision in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item.

## **WOOLTRU HEALTHCARE FUND REMUNERATION POLICY**

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### **1. INTRODUCTION**

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

### **2. REMUNERATION ELIGIBILITY**

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

### **3. REMUNERATION POLICY**

The basic principle of all remuneration paid by the Fund is that remuneration should be fair and reasonable, commensurate with the qualification and experience of the incumbent, the responsibilities carried, the level of care, skill and expertise required, and the degree of attentiveness needed, while not being excessive nor creating an unnecessary or unwarranted financial burden for the beneficiaries.

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

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

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

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

### **4. REMUNERATION**

Current remuneration is outlined in Annexure 1 to this Remuneration Policy overleaf.

### **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 by the Chairperson on behalf of the Wooltru Healthcare Fund's Board of Trustees as approved and mandated at the Annual General Meeting held on 23 July 2024.

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**Chairperson of the Board of Trustees**

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**Trustee**

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

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**ANNEXURE 1**

**2024 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:

<b>Category</b>	<b>Agreed-upon fee structure</b>
Member-elected Trustee (not a full-time employee)	R13,425 per meeting
Independent Chairperson – Audit Committee	R16,800 per meeting

Signed by the Chairperson on behalf of the Wooltru Healthcare Fund's Board of Trustees as approved and mandated at the Annual General Meeting held on 23 July 2024.

\_\_\_\_\_  
Chairperson of the Board of Trustees

\_\_\_\_\_  
Trustee