



NOTICE IS HEREBY GIVEN THAT THE FIFTY-SECOND ANNUAL GENERAL MEETING OF THE WOOLTRU HEALTHCARE FUND WILL BE HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON THURSDAY, 28 JUNE 2018 AT 14:00.

AGENDA

1. Chairperson's welcome to members.
2. To read the notice convening the Annual General Meeting.
3. To adopt the minutes of the Annual General Meeting held on 20 June 2017.
4. Chairperson's review.
5. To adopt the independent auditor's report on the summary financial statements.
6. To adopt the annual report of the Board for the year ended 31 December 2017.
7. To adopt the annual financial statements for the year ended 31 December 2017.
8. To approve the Trustee remuneration policy and structure for the 2018 calendar year.
9. To appoint the auditors for the ensuing year.
10. To note that there will be no Trustee election at the 2018 Annual General Meeting.
11. General.

By order of the Board

A handwritten signature in black ink, appearing to read 'Francois de Wit', is positioned above the printed name.

FRANCOIS DE WIT
PRINCIPAL OFFICER

MINUTES OF THE FIFTY-FIRST ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 20 JUNE 2017 AT 14:00

- **PRESENT:** 40 members represented in person and zero proxies were received
- **CHAIRPERSON:** Mr Burger van der Merwe
- **PRINCIPAL OFFICER:** Mr Francois de Wit
- **APOLOGIES:** Ms S Malander

1. OPENING AND WELCOME

The Chairperson opened the meeting and welcomed those present.

Words of welcome were extended to the representatives of MMI Health (Pty) Ltd, the Fund's Administrator, and Willis Towers Watson, the Fund's Actuaries. The Chairperson also welcomed Mr de Wit, who had been appointed as the Fund's Principal Officer from 1 January 2017 following the resignation of Mr Titley.

A special word of welcome was extended to Mr Maswanganyi from the Council for Medical Schemes, who attended as an observer.

Following a count of members, the Chairperson confirmed that a quorum (a minimum of 15 members) was present and that the meeting was duly constituted.

2. NOTICE OF THE MEETING

The notice convening the Annual General Meeting, which was confirmed as having been circulated timeously to all members, was taken as read. As no requests for additional agenda items had been received, the meeting proceeded as per the published agenda. The Chairperson advised that members could direct administration-related queries to Ms Cozett from the Administrator, MMI Health (Pty) Ltd, who was in attendance at the meeting.

3. CONFIRMATION OF MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 21 JUNE 2016

Mr Thompson proposed that the minutes of the 2016 Annual General Meeting be approved and adopted.

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

The minutes of the fiftieth Annual General Meeting, held on 21 June 2016, were signed as a true record of the proceedings.

No matters arising from the minutes of the 2016 Annual General Meeting were raised for further discussion.

4. REPORT OF THE BOARD OF TRUSTEES (BOT) FOR THE YEAR ENDED 31 DECEMBER 2016

The annual report of the Board of Trustees for the year ended 31 December 2016, having been circulated, was taken as read. The Chairperson highlighted the following items in the report:

- as at 31 December 2016, the solvency ratio of the Fund had been 58.7%, which compared favourably to the statutory minimum solvency level of 25%; the Fund was in a sound financial position;
- the accumulated funds as at 31 December 2016 were R182.5 million (R183 million as at 31 December 2015);
- the highest expenditure during 2016 had been in-hospital costs (56.7%), followed by day-to-day costs (24.5%) from the annual medical limit;
- non-healthcare expenditure, which included administration costs, had been 8%; the Chairperson acknowledged the negotiations with the relevant providers undertaken by the Trustees and Principal Officer.
- membership increased by 67 during 2016 and the average contribution per member per month increased by 6.94%;
- changes in the Fund's management and service providers were as follows:
 - Ms Rylands' term of office expired on 31 December 2016; Mr van der Merwe had been appointed as a Trustee and elected as Chairperson of the Board as from 1 January 2017;
 - Mr Titley gave notice and effectively resigned on 31 December 2016; Mr de Wit had been appointed as Principal Officer from 1 January 2017;

MINUTES OF THE FIFTY-FIRST ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 20 JUNE 2017 AT 14:00 (CONTINUED)

4. REPORT OF THE BOARD OF TRUSTEES (BOT) FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

- Mr Tate resigned on 28 February 2017; Mr Fred du Plessis, in his capacity as alternate Trustee, assumed the duties of Trustee for the interim period pending the election of Trustees;
- MMI Health (Pty) Ltd had been formed following the merger of Metropolitan Health Corporate (Pty) Ltd, Momentum and CareCross (Pty) Ltd.

The Chairperson expressed sincere appreciation to Ms Rylands and Mr Titley for their time and dedication to the Fund and for having ensured the Fund's sound financial position.

A word of appreciation was expressed to Ms Wolhuter for her work in producing the quarterly newsletters, which provided members with regular updates on the Fund.

5. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Annual Financial Statements for the year ended 31 December 2016 were circulated prior to the meeting.

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

The Chairperson expressed appreciation to the Administrator, MMI Health (Pty) Ltd, the Fund's auditors, Ernst & Young, and the Audit Committee for the preparation and review of the Annual Financial Statements.

6. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2016

The report of Ernst & Young to the members of the Fund had been circulated prior to the meeting.

Mr Thompson proposed that the Audited Financial Statements, the report of the Board of Trustees, and the report of the Auditors for the year ended 31 December 2016 be approved and adopted.

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

7. APPOINTMENT OF THE AUDITORS FOR THE ENSUING YEAR

With thanks to the auditors for their work undertaken during 2016, the Chairperson confirmed that the Audit Committee had proposed to the Board of Trustees that the Fund renew the appointment of Ernst & Young Inc. as the external auditors to the Fund for the financial year ending 31 December 2017.

The Chairperson expressed special words of appreciation to Mr Pierre du Plessis, who had been the audit partner responsible for the 2016 audit, and advised that Ms Cronning would be the new audit partner for 2017.

Ms Wolhuter proposed that the appointment of Ernst & Young as the external auditors to the Fund for the financial year ending 31 December 2017 be approved and adopted.

Ms Gillman seconded the proposal, which was unanimously adopted.

8. ELECTION OF TRUSTEES

Ms Brandes advised that part of the findings following a routine inspection undertaken by the Council for Medical Schemes (CMS) in 2016 related to the election of member-elected Trustees.

The CMS advised that members should be allowed to vote for nominees from all employer groups, rather than to limit voting to nominees from their specific employer only.

Fund rule number 18 had consequently been revised to enable members to vote for any nominee, irrespective of the employer group.

MINUTES OF THE FIFTY-FIRST ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 20 JUNE 2017 AT 14:00 (CONTINUED)

8. ELECTION OF TRUSTEES (CONTINUED)

This rule amendment had been submitted to, and had been accepted by the CMS. Ms Brandes read out the revised rule and advised that at the time the approval of the amended rule had been received, the nomination process had already commenced, with the Administrator having accepted responsibility for collecting the nominations. Any future nomination and election processes would be managed by an external auditor or another independent party.

Ms Brandes advised that, following the resignation of Mr Tate in February 2017, the alternate Trustee, Mr Fred du Plessis, assumed his responsibilities and indicated his willingness to stand for election as a Trustee. A Trustee nomination had also been received for Mr Fred du Plessis.

Ms Brandes informed the meeting that other than the above nomination, no further nominations had been received, but that all current member-elected Trustees had indicated their willingness to stand for re-election. Members were requested to indicate their approval for the election of the Trustees by a show of hands, with the following results:

Member-elected Trustee nominee	Number of votes (including proxy votes)
• Mr Jonathan Gillman	36
• Mr André Hector	34
• Mr Thabang Magagula	27
• Mr Fred du Plessis	38
• Mr S Latta	37

Ms Brandes confirmed that, as per the amended rule, the elected Trustees would serve terms of office of five years. The Chairperson welcomed and congratulated the newly-elected Trustees to the Board.

9. TRUSTEE REMUNERATION POLICY

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

Mr Thompson proposed that the remuneration policy in respect of Trustees and Committee members be approved and adopted.

Ms Wolhuter seconded the proposal, which was unanimously adopted.

10. GENERAL

No general items were raised for discussion.

11. CLOSURE OF MEETING

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

APPROVED AND SIGNED THIS _____ DAY OF _____ 2018

CHAIRPERSON

PRINCIPAL OFFICER

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2017**

CHAIRPERSON’S REVIEW

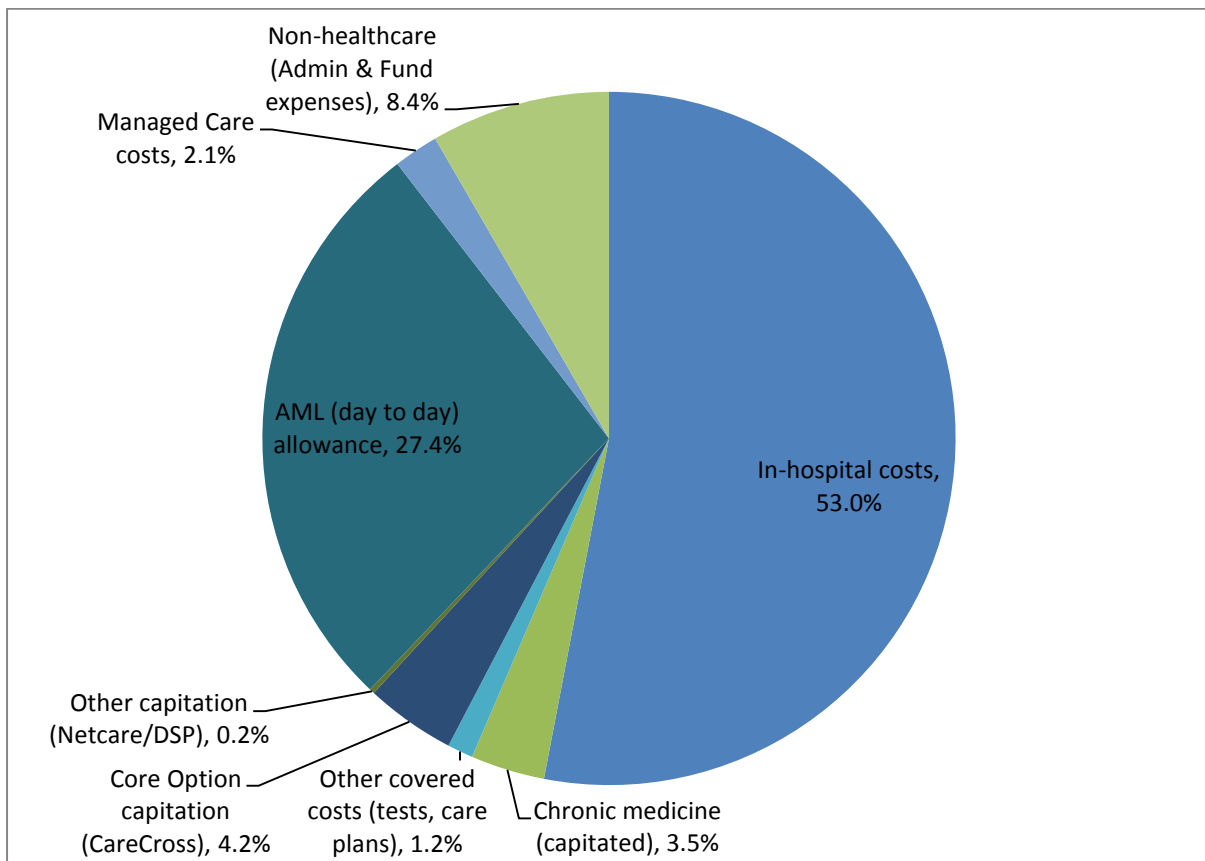
As Chairperson of the Board of Trustees (‘the Board’) of the Wooltru Healthcare Fund (‘the Fund’), I have pleasure in presenting the Board’s report for the year ended 31 December 2017.

The 2017 financial year yielded favourable results for the Fund when compared to 2016. The net healthcare deficit (before investment income) for the year amounted to R3.9 million (2016: R13.0 million deficit). This result can be broken down across the three benefit options as follows:

- The Core Option yielded a net healthcare surplus of R0.8 million (2016: R0.3 surplus)
- The Plus Option yielded a net healthcare deficit of R1.2 million (2016: R9.4 million deficit)
- The Extended Option reflected a net healthcare deficit of R3.5 million (2016: R3.9 million deficit)

Investment returns (net of fees) yielded R12.2 million for the year (2016: R12.5 million). Sundry income amounting to R7.5 million (2016: R0.0 million) was received, which contributed towards the overall surplus for the year of R15.8 million (2016: R0.5 million deficit).

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



Source: NMG Consultants and Actuaries

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2017 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

Accumulated funds (excluding revaluation reserves) as at 31 December 2017 were R198.3 million (2016: R182.5 million), while the solvency ratio of 60.1% (2016: 58.7%) continues to compare favourably against the statutory minimum solvency level of 25%.

Contributions to the Fund were increased with effect from 1 January 2018 by 0.5% on average for the Core Option, 8.3% for the Plus Option and 9.5% for the Extended Option.

The Fund remains financially sound and is well positioned to meet its future challenges. The Board conducted a comprehensive survey amongst members and a review of the Fund, to ensure that it remains relevant and financially viable in the medium to long term. Some of the changes emanating from this review, namely the implementation of a medical savings account for the Plus Option, were implemented in 2018. These will be followed by other changes for 2019 and beyond.

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 2017 were:

1.1 Board of Trustees

Employer appointed	Member elected
Mr B van der Merwe (Chairperson)	Mr F du Plessis
Ms S Malander (Vice-Chairperson)	Mr J Gillman
Mr I Thomson	Mr A Hector
Ms Z Mgolodela	Mr S Latta
Ms Z Mowzer	Mr T Magagula
Mr B Tate (Term of office ended 28 February 2017)	

All serving member-elected Trustees were duly elected at the 2017 Annual General Meeting.

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

1.2 Fund Committees

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

1.3 Fund Officers

- Principal Officer: Mr F de Wit (Independent)
- Medical Advisor: Dr A Davidson (Independent)
- Fund Manager: Ms J Wolhuter (Woolworths)

1.4 Service Providers:

- Actuaries, consultants and investment advisors: NMG Consultants & Actuaries (Pty) Ltd (previously Willis Towers Watson (Pty) Ltd)
- Administrator: MMI Health (Pty) Ltd
- Asset managers: Prescient Investment Management (Pty) Ltd and Coronation Asset Management (Pty) Ltd
- Auditors: Ernst & Young Inc.
- Emergency evacuation: Netcare 911 (Pty) Ltd

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2017 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

1. GOVERNANCE (continued)

1.4 Service Providers (continued):

- Managed care: MMI Health (Pty) Ltd
- Network & designated service provider: MMI Health (Pty) Ltd

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

2. DESCRIPTION OF FUND

2.1 Terms of registration

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

2.2 Fund benefit options

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

In 2017 the Fund conducted a member survey to establish what benefit structures would suit the needs of its members' best interest. The results of the survey were carefully considered and the need for a savings option was accommodated in the restructuring of the Plus Option.

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

The Plus Option provides members with an annual medical allowance (AML) from which to fund day-to-day benefits. The members are responsible for managing their own day-to-day expenses within the AML. From 2018 the AML was replaced with a medical savings account where any unused balance carries forward to the next benefit year. The Plus Option provides comprehensive hospital and major medical benefits and specialists are reimbursed at 100% of the Fund's tariff.

The Extended Option provides members with an annual medical allowance (AML) from which to fund day-to-day benefits. The Extended Option makes provision for a materially higher AML than the Plus Option, but is more expensive. The Extended Option provides comprehensive hospital and major medical benefits and specialists are reimbursed at 300% of the Fund's tariff.

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 2017, 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 2017, the Fund's investible assets were split between the appointed asset managers as follows:

- | | |
|--|-----|
| • Prescient Investment Management Ltd (Prescient): | 70% |
| • Coronation Asset Management Ltd (Coronation): | 30% |

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2017 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

3. INVESTMENT POLICY OF THE FUND (CONTINUED)

The Fund's asset managers achieved the following investment returns (before fees) for periods ended 31 December 2017 in respect of the portfolios in which the Fund was invested:

- Prescient: one year: 9.34%, three years: 7.58%, five years: 8.92%
- Coronation: one year: 7.62%, three years: 5.69%, five years*: 7.50%*

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

These returns comfortably exceeded CPI inflation when measured over the same periods:

- Inflation: one year: 4.70%, three years: 5.56%, five years: 5.48%

The Fund's Investment Committee continues to monitor the performance of the Prescient and Coronation portfolios 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 (previously Willis Towers Watson), who provide investment consulting services to the Fund, and who monitor the investment returns from the Fund's asset managers against a basket of asset managers who invest assets for other medical schemes.

4. REVIEW OF THE YEAR'S ACTIVITIES

4.1 Operational activities

	2017	2016	% change
Number of members at year end	9 806	9 957	-1.52%
Average number of members for the year	9 899	9 956	-0.57%
Average contribution per member per month (R)	2 780	2 603	6.80%
Average claims incurred per member per month (R)	2 575	2 495	3.21%
Dependants to member ratio at 31 December	0.92	0.95	-3.16%
Average age of beneficiaries	31	31	0%
Pensioner ratio	13.85%	14.52%	-4.61%
Administration costs per member per month (R)	235	217	8.29%
Claims as a percentage of contributions	92.61%	95.84%	-3.37%
Administration expenses as a percentage of contributions	8.47%	8.35%	1.44%
Accumulated funds ratio (solvency ratio) at year end	60.06%	58.68%	2.35%

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.

4.3 Net healthcare result per option

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

	2017	2016
	R'000	R'000
Core	826	293
Plus	(1 171)	(9 365)
Extended	(3 528)	(3 928)
Total (deficit)	(3 873)	(13 000)

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2017 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

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

4.3 Net healthcare result per option (continued)

Although operational deficits (prior to investment income) were experienced on the Plus and Extended options for 2017, the Fund remains in an overall financially sound position.

4.4 Reserves

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

- to maintain the general reserve at levels well above the statutory required minimum of 25%;
- to maintain the level of the HIV/AIDS reserve in line with the HIV actuarial risk assessments undertaken on behalf of the Fund by Willis Towers Watson (the Fund's actuaries and consultants). As HIV/AIDS is now a well-controlled condition, the same as many other chronic conditions, the Board agreed that there is no longer a need to keep a separate reserve for the condition. The reserve will therefore be collapsed into the Fund's general reserve as from 1 January 2018;
- to utilise annual investment growth in excess of the consumer price index (CPI) plus two percentage points to subsidise the operations of the Fund, thereby effectively subsidising member contributions; and
- to regard the balance of the general reserve as a surplus asset reserve to be utilised to cushion the impact of anticipated continuing operating deficits. This strategy is designed to protect members from the need to impose sudden high contribution increases where an above average deficit is experienced in any one year.

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

	2017	2016
	<u>R'million</u>	<u>R'million</u>
General reserve	176.9	124.4
HIV reserve	21.4	21.5
Total members' funds	<u>198.3</u>	<u>182.5</u>
Solvency ratio at year end: (% of annual contributions)	<u>60.06%</u>	<u>58.7%</u>

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 Outstanding claims

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

5. COMMUNICATION TO MEMBERS

The Fund publishes a quarterly newsletter to members, which keeps members up to date with developments in the Fund and the healthcare industry as a whole. A membership communication pack was sent to members at the end of 2017, detailing the benefits and contributions for 2018. In addition, members are encouraged to visit the Fund's website at www.wooltruhealthcarefund.co.za regularly. The site is hosted by the Administrator, and can be used for information relating to the rules of the Fund and other pertinent information.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2017 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

6. HIV/AIDS PROGRAMME

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

7. INTERESTS OF OFFICE BEARERS

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

8. AUDIT COMMITTEE

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

The Audit Committee was responsible for reviewing the 2017 audited annual financial statements.

9. CONTRIBUTION INCREASES AND BENEFIT REVIEW

Willis Towers Watson, 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.

11. VOTE OF APPRECIATION

I would like to express my thanks to my fellow Trustees, the Principal Officer, the Fund Manager, the Fund actuaries, the medical advisor, our independent committee members, all our service providers and everyone else involved in ensuring that the Fund continues to meet its objectives.

12. CONCLUSION

The Wooltru Healthcare Fund remains financially sound, and the Trustees are confident that the Fund will continue to serve its members as effectively and fairly as possible by facing up to the challenges thrown at us by the ever-changing South African healthcare environment. I would like to take this opportunity to wish all our members good health for the remainder of 2018 and beyond.



Burger van der Merwe
Chairperson

April 2018

**WOOLTRU HEALTHCARE FUND
SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2017**

INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS

To the members of Wooltru Healthcare Fund

Opinion

The summary financial statements, as set out on pages 26 to 41, which comprise the summary statement of financial position as at 31 December 2017, and the summary statement of comprehensive income, summary statements of changes in members' funds and summary cash flow statement for the year ended, and related notes, are derived from the audited financial statements of Wooltru Healthcare Fund (the Fund) for the year ended 31 December 2017.

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

Summary Financial Statements

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

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 17 April 2018.

Trustees' Responsibility for the Summary Financial Statements

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

Auditor's Responsibility

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

Ernst & Young Inc.

Ernst & Young Inc.
Executive Director: Cindy Cronning
Registered Auditor
Chartered Accountant (S.A.)

9 May 2018

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2017**

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

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

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

During the course of the year, the Administrator migrated from one administration platform to another. The Fund experienced various issues in relation to its business processes, control activities and internal control systems during this period. The Fund's external auditors were requested to perform additional work in order to provide the Audit Committee and the Board of Trustees with the necessary level of comfort.

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 financial statements and to safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

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



Mr B van der Merwe
Chairperson



Ms S Malander
Trustee



Mr F de Wit
Principal Officer

9 May 2018

**WOOLTR U HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2017**

The Board of Trustees hereby presents its report for the year ended 31 December 2017:

Council for Medical Schemes registration number of the Fund: 1293

1. MANAGEMENT

1.1 Board of Trustees (BOT)

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

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

Employer-appointed Trustees

- Mr B van der Merwe (Chairperson) (appointed 1 January 2017)
- Ms S Malander (Vice-Chairperson)
- Mr I Thompson
- Ms Z Mowzer
- Ms Z Mgolodela (appointed 1 January 2017)

Member-elected Trustees

- Mr J Gillman (retiree representative)
- Mr A Hector
- Mr S Latta
- Mr T Magagula
- Mr B Tate (resigned 28 February 2017)
- Mr F du Plessis (elected 20 June 2017)

1.2 Principal Officer

Mr F de Wit (appointed 1 January 2017)

Physical address

67 Gazania Street
Welgemoed
7530

Postal address

67 Gazania Street
Welgemoed
7530

1.3 Registered office address

Business address

Wooltru Healthcare Fund
Building 6
Parc du Cap
Bellville
7530

Postal address

Wooltru Healthcare Fund
PO Box 15403
Vlaeberg
8018

Country of registration and domicile: South Africa

1.4 Scheme administrator: MMI Health (Pty) Ltd

Business address

Parc du Cap
Mispel Road
Bellville
7530

Postal address

PO Box 4313
Cape Town
8000

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2017 (continued)**

1. MANAGEMENT (CONTINUED)

1.5 Investment managers

Prescient Investment Management (Pty) Ltd

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

Financial services provider number: 2545

Coronation Asset Management (Pty) Ltd

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

Financial services provider number: 548

1.6 Principal participating employers

- Woolworths Holdings Ltd
- Truworths International Ltd

1.7 Auditor: Ernst & Young Inc.

Business address	Postal address
3 rd Floor, Waterway House 3 Dock Road V&A Waterfront Cape Town 8001	PO Box 656 Cape Town 8000

1.8 Actuaries and investment advisors : Willis Towers Watson (Pty) Ltd

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

2. DESCRIPTION OF THE FUND

2.1 Terms of registration

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

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2017 (continued)**

2. DESCRIPTION OF THE FUND (CONTINUED)

2.2 Options within the Wooltru Healthcare Fund

The Fund offers three benefit options to members:

- Core
- Plus
- Extended.

None of these options have a savings plan.

2.3 Risk transfer arrangements

During 2017 the Fund renewed the risk transfer arrangements with MMI Health (Pty) Ltd and Netcare 911 (Pty) Ltd.

The Fund has two risk transfer arrangements in place with MMI Health (Pty) Ltd. The first arrangement provides all healthcare benefits for beneficiaries registered on the Core Option via specialist and general practitioner networks, and designated service provider networks for the Plus and Extended options.

The second arrangement with MMI Health (Pty) Ltd provides chronic medication benefits for beneficiaries registered on the Plus and Extended options. This arrangement previously included a profit-sharing agreement whereby the Fund was entitled to 85% of the profit from the risk transfer arrangement in excess of 5% of the annual capitation premiums. The Fund did not participate in a loss. This agreement has been effective from 1 January 2010 and the profit-sharing arrangement was discontinued in 2017. Consequently, for the year ended 31 December 2017, there was no amount provided for profit allocation (2016: R515 316).

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

2.4 Changes in operating environment

During the course of the year, the Administrator migrated from one administration platform to another. The Fund experienced various issues in relation to its business processes, control activities and internal control systems during this period. The Fund's external auditors were requested to perform additional work in order to provide the Audit Committee and the Board of Trustees with the necessary level of comfort.

3. REVIEW OF THE YEAR'S ACTIVITIES

3.1 Operational activities

2017

	Core	Plus	Extended	Total
Number of members at year end	1 038	8 209	559	9 806
Number of beneficiaries at year end	1 497	16 227	1 097	18 821
Average number of members for the year	980	8 343	576	9 899
Average number of beneficiaries for the year	1 422	16 581	1 128	19 131
Dependants to member ratio at year end	0.44	0.98	0.96	0.92
Average age of beneficiaries for the year	29.12	30.42	49.84	31.39
Pensioner ratio (%)	9.73	11.65	53.85	13.85
Risk contributions per average member per month (R)	1 431	2 740	5 649	2 780
Risk contributions per average beneficiary per month (R)	987	1 379	2 885	1 438

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2017 (continued)**

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

3.1 Operational activities (continued)

2017 (continued)

	Core	Plus	Extended	Total
Relevant healthcare expenditure as a percentage of risk contributions (%)	84.46	91.40	104.63	92.61
Relevant healthcare expenditure per average member per month (R)	1 209	2 505	5 911	2 575
Relevant healthcare expenditure per average beneficiary per month (R)	833	1 260	3 019	1 332
Amounts paid to Administrator (R)	1 260 588	20 286 749	1 409 698	22 957 035
Average administration cost per member per month (R)				235
Average administration cost per beneficiary per month (R)				122
Administration cost as a percentage of risk contributions (%)	10.44	8.93	4.35	8.47
Average managed care expense per member per month (R)	-	66	66	60
Average managed care expense per beneficiary per month (R)	-	33	34	31
Non-healthcare expenditure as a percentage of risk contributions (%)	10.63	9.02	4.40	8.56
Accumulated funds per member at 31 December (R)				20 224
Realised return on investments as a percentage of investments (%)				5.42
Total return on investments (%)				8.42

2016

	Core	Plus	Extended	Total
Number of members at year end	898	8 429	630	9 957
Number of beneficiaries at year end	1 337	16 855	1 255	19 447
Average number of members for the year	840	8 470	646	9 956
Average number of beneficiaries for the year	1 279	16 976	1 296	19 551
Dependants to member ratio at year end	0.49	1.00	0.99	0.95
Average age of beneficiaries for the year	29.12	29.80	47.02	30.87
Pensioner ratio (%)	11.80	12.04	51.59	14.52
Risk contributions per average member per month (R)	1 342	2 531	5 180	2 603
Risk contributions per average beneficiary per month (R)	881	1 263	2 584	1 326
Relevant healthcare expenditure as a percentage of risk contributions (%)	87.65	94.77	105.42	95.84
Relevant healthcare expenditure per average member per month (R)	1 176	2 399	5 462	2 495
Relevant healthcare expenditure per average beneficiary per month (R)	772	1 197	2 724	1 270
Amounts paid to Administrator (R)	1 002 595	19 039 463	1 461 769	21 503 827
Average administration cost per member per month (R)				217
Average administration cost per beneficiary per month (R)				111

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2017 (continued)**

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

3.1 Operational activities (continued)

2016 (continued)

	Core	Plus	Extended	Total
Administration cost as a percentage of risk contributions (%)	10.20	8.87	4.36	8.35
Average managed care expense per member per month (R)	-	63	63	57
Average managed care expense per beneficiary per month (R)	-	31	31	29
Non-healthcare expenditure as a percentage of risk contributions (%)	10.19	8.87	4.35	8.34
Accumulated funds per member at 31 December (R)				18 326
Realised return on investments as a percentage of investments (%)				6.25
Total return on investments (%)				6.89

3.2 Financial results

During the course of the year, the Administrator migrated from one administration platform to another. During the initial stages of 2017, service levels were not met and the Administrator agreed to refund administration fees for the first four months of the year.

It was agreed between the Fund and the Administrator that no further fees in respect of the Multiply wellness programme will be payable from July 2017.

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

3.3 Solvency ratio

	2017	2016
	R	R
The solvency ratio is calculated on the following basis:		
General reserve	176 882 404	16 011 601
HIV reserve	21 433 729	21 460 353
Revaluation reserve	7 330 786	3 574 566
Total members' funds as per summarised statement of financial position	205 646 919	186 046 520
Less: Revaluation reserve	(7 330 786)	(3 574 566)
Accumulated funds	<u>198 316 133</u>	<u>182 471 954</u>
Contribution income per statement of comprehensive income	330 210 783	310 981 606
Accumulated funds as a percentage of risk contributions	<u>60.06%</u>	<u>58.68%</u>

The solvency ratios for both 2017 and 2016 reflected above were calculated using accumulated funds (including the HIV reserve), as required by the Council for Medical Schemes. The minimum solvency ratio required by the Council for Medical Schemes is 25%. At the Board of Trustees meeting dated 26 August 2003, a decision was taken to maintain a general reserve of not less than 40% of annualised risk contributions, being R132 084 313 (2016: R124 392 642).

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

3.4 Reserve accounts

Movements in the reserves are set out in the statement of changes in funds and reserves on page 28.

The HIV reserve is reviewed every three years and records funding set aside for current and potential future claims related to HIV and AIDS treatment. At the Board of Trustees meeting dated 22 November 2017, a decision was taken to stop funding and reverse this reserve to general reserves, as HIV and AIDS treatment has since become well controlled. This is applicable from the beginning of 2018.

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

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

3.5 Outstanding claims provision

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

Movements on the outstanding claims provision are set out in Note 6 to the summarised annual financial statements on page 30.

3.6 Liability adequacy test

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

4. INVESTMENT POLICY OF THE FUND

Prescient Investment Management (Pty) Ltd (Prescient) and Coronation Asset Management (Pty) Ltd (Coronation) are the Fund's appointed investment managers. Prescient manages two portfolios for the Fund, namely a money-market portfolio and a positive return portfolio. The Fund invests in compliance with the requirements of the Medical Schemes Act of 1998. In December 2009, the Trustees approved an updated investment policy, increasing the maximum allowable effective exposure to equities from 40% to 50% of the Fund's invested assets. The positive return portfolio managed by Prescient was changed to reflect the increased maximum for the combined effective exposure to equities of 50%. As at 31 December 2017, the effective equity exposure of the positive return portfolio managed by Prescient amounted to 7.31% (2016: 20.57%) of the total amount invested, while the combined total effective equity exposure was 18.39% (2016: 26.32%) of the Fund's invested assets.

In January 2013, the Fund invested assets in the positive return portfolio managed by Coronation. This portfolio is pooled across a number of medical schemes and the mandate cannot be customised for one participant. The mandate for the positive return portfolio managed by Coronation limits the effective equity exposure to 40%.

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

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

- achieve a return after investment management fees of at least CPI plus two percentage points per annum for those assets required to meet the Fund's liquidity needs;

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2017 (continued)**

4. INVESTMENT POLICY OF THE FUND (CONTINUED)

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

The Fund's investment strategy is to:

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

5. ACTUARIAL VALUATION

An actuarial valuation is not required for the Fund due to the short-term nature of the Fund's assets and liabilities. The contribution tables set for the Fund are subject to an annual review by actuaries specialising in healthcare to ensure that the Fund remains in a financially sound position. The review of contributions for the 2018 year was set out in a report dated September 2017 and confirmed that the Fund was in a financially sound position. The report complied with the requirements of the Professional Guidance Note issued by the Actuarial Society of South Africa (APN303 – Advice to South African Medical Schemes on Adequacy of Contributions).

6. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

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

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

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

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

Nature and impact

The Council for Medical Schemes has approved the rules of the Wooltru Healthcare Fund in terms of Section 33(2) of the Medical Schemes Act. As per the submission approved by the Registrar, the Extended Option was in a net deficit position of R2 403 692 (2016: R3 137 326), representing 0.7% (2016: 1.0%) of the aggregated risk contribution income of the Fund.

Cause of failure

The Extended Option is selected by most of the Fund's retired members, as it offers more extensive benefits. The age profile of this option is therefore higher than that of the other options resulting in higher claims per member than the other options. Its deficit represents 6.2% (2016: 7.8%) of the Extended Option's annual risk contribution income for 2017.

Corrective action

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

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

Section 26(7) of the Act - Contributions received after three days of becoming due

Nature and impact

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

During the 2017 year, there were no instances where contributions at an employer group level were received later than three days after the due date. As at 31 December 2017, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R146 708 (2016: R37 283). This amount represents 0.04% (2016: 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 contribution debtors at year end relate to membership changes after initial contributions were raised.

Corrective action

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

Section 59(2) and Regulation 6(2) of the Medical Schemes Act - Claims not settled within 30 days

Nature and impact

Section 59 (2) of the Medical Schemes Act states that a medical scheme shall pay a member or supplier of service, any benefit owing to that member or supplier within 30 days of receipt of the medical claim. In addition, Regulation 6(2) states that if the medical scheme is of the opinion that the account is erroneous or unacceptable for payment, it must inform both the member and the relevant healthcare provider within 30 days after receipt of such account.

The Administrator changed systems in January 2017, resulting in a number of instances where claims were paid after 30 days from the date of receipt. In these cases, members and service providers were not notified that the claims had been placed on hold or rejected, resulting in contravention of Regulation 6(2) of the regulations to the Medical Schemes Act.

Cause of failure

A number of claims were not paid within 30 days due to the system migration that took place in January 2017. These claims were subsequently processed and settled.

Corrective action

At the start of 2017, claims for certain providers were placed on hold to ensure these were accurately paid on the new administration platform. The Administrator informed the Fund, providers and the Council for Medical Schemes regarding the delay in processing and paying these claims. The claims were subsequently paid and the normal claims payment processes were reinstated at the end of February 2018.

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

Nature and impact

Wooltru Healthcare Fund, through Coronation Asset Management (Pty) Ltd and Prescient Investment Management (Pty) Ltd, holds investments in participating employers as well as holding companies of medical scheme administrators as at 31 December 2017. This is in contravention of Section 35(8) (a) and (c) of the Act, as the Fund is not allowed to hold shares in the holding company of an administrator or any participating employer.

Cause of failure

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

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

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

Corrective action

The Fund received an exemption in March 2017 from the Council for Medical Schemes from complying with Section 35(8)(a) and (c), in so far as it relates to investments placed with asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund. The exemption was granted up until March 2018 and a subsequent application has been submitted for 2018.

Regulation 8(1) of the Medical Schemes Act - PMB claims

Nature and impact

Regulation 8(1) of the Medical Schemes Act No 131 of 1998 states that subject to the provisions of this regulation, any benefit option that is offered by a medical scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions.

During the review, a small number of the PMB-related claims were noted as not paid in full or at cost.

Cause of failure

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

Corrective action

The identification controls to identify claims as PMB's is constantly being reviewed to improve the risk of paying PMB claims incorrectly. The Administrator continues to refine these controls while balancing the financial risk to the Fund where providers are upcoding and incorrectly trying to validate claims as a PMB.

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

The Wooltru Healthcare Fund, through the Coronation Pooled Portfolio and the Prescient Positive Return Portfolio, holds the following investments at fair value in participating employers, as well as in the holding companies of medical scheme administrators at 31 December 2017:

	2017	2016
	R	R
Discovery Holdings Ltd	108 424	235 494
Liberty Holdings Ltd	236 938	189 887
MMI Holdings Ltd	508 649	490 578
Sanlam Ltd	149 884	486 170
Truworths International Ltd	91 999	193 218
Woolworths Holdings Ltd	657 760	771 003
	<u>1 753 654</u>	<u>2 366 350</u>

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

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
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9. AUDIT COMMITTEE

An Audit Committee was established on 12 February 2002, in accordance with the provisions of the Act. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee must consist of a minimum of five members of which two must be members of the Board of Trustees. The majority of the members are not officers of the Fund or its third party Administrator. The Audit Committee met on five occasions during 2017 as follows:

- 30 March
- 21 July
- 10 August
- 18 October
- 20 November.

The Administrator and the external auditor attend all Committee meetings. The external auditor has unrestricted access to the Chairperson of the Committee.

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

During the year under review, the Audit Committee comprised:

- | | |
|-----------------|--|
| - Mr D Crisp | Independent non-Trustee (Chairperson) |
| - Ms Z Mowzer | Trustee |
| - Mr I Thompson | Trustee |
| - Mr P Dyini | Non-Trustee (resigned 31 October 2017) |
| - Mr R Smit | Non-Trustee |
| - Ms T Mlotshwa | Independent non-Trustee (appointed 1 January 2017) |

10. INVESTMENT COMMITTEE

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

The Investment Committee met on four occasions during 2017 as follows:

- 22 February
- 26 April
- 26 July
- 25 October.

During the year under review, the Investment Committee comprised:

- | | |
|-----------------|--|
| - Ms S Malander | Chairperson/Trustee |
| - Mr T Magagula | Trustee |
| - Ms A Kirsten | Non-Trustee |
| - Mr I Thompson | Trustee |
| - Ms T Mlotshwa | Independent non-Trustee (appointed 1 January 2017) |

11. DISPUTES COMMITTEE

A Disputes Committee was established on 23 May 2006 to arbitrate and resolve disputes between members and the Fund. The Disputes Committee consists of three persons who are not Trustees or officers of the Fund in order to ensure independence. The Disputes Committee did not need to meet during 2017.

**WOOLTRU HEALTHCARE FUND
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for the year ended 31 December 2017 (continued)**

11. DISPUTES COMMITTEE (CONTINUED)

During the year under review, the Disputes Committee comprised:

- | | |
|---------------|-----------------------------|
| - Ms H Drabbe | Truworths International Ltd |
| - Ms A Gale | Woolworths Holdings Ltd |
| - Mr P Dyini | Woolworths Holdings Ltd |

12. BENEFITS COMMITTEE

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

The Benefits Committee met on seven occasions during 2017 as follows:

- 26 April
- 23 May
- 20 June
- 26 July
- 8 August
- 28 August
- 25 October.

During the year under review, the Benefits Committee comprised:

- | | |
|-------------------|--|
| - Ms S Malander | Chairperson/ Trustee |
| - Mr J Gillman | Trustee |
| - Mr S Latta | Trustee |
| - Mr C du Plessis | Non-Trustee |
| - Ms H Drabbe | Non-Trustee |
| - Ms T Mlotshwa | Independent non-Trustee (appointed 1 January 2017) |

13. CLINICAL COMMITTEE

A Clinical Committee was established on 29 May 2013 for the purpose of researching, analysing and reviewing matters of clinical importance to the Fund and its beneficiaries. The Committee advises the Board of Trustees on all strategic and operating matters of a clinical nature and assists in monitoring the Fund's compliance with the Medical Schemes Act, as it relates to the clinical aspect of benefits provided by the Fund. The Clinical Committee met on four occasions during 2017 as follows:

- 28 February
- 9 May
- 15 August
- 7 November.

During the year under review, the Clinical Committee comprised:

- | | |
|-----------------|--|
| - Dr A Davidson | Medical Advisor and Chairperson |
| - Ms J Wolhuter | Fund Manager |
| - Ms S Malander | Trustee |
| - Mr A Hector | Trustee |
| - Ms A Brandes | Fund administrator's representative |
| - Dr S Jairam | Fund administrator's representative (appointed 1 January 2017) |
| - Mr F Mbumbwa | Fund actuaries' representative |

**WOOLTRU HEALTHCARE FUND
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14. EX GRATIA COMMITTEE

An Ex Gratia Committee was established on 29 May 2013 for the purpose of analysing and reviewing requests for financial assistance by members who are faced with sudden large unexpected medical costs that are not ordinarily recoverable from the Fund in terms of its benefit structure and which the member is unable to meet without assistance from the Fund. The Committee assists the Board in monitoring the Fund's benefit structure and will make recommendations to the Board where they believe any benefit should be enhanced or amended. The Ex Gratia Committee did not meet in 2017 and a meeting scheduled for 22 November 2017 was postponed to 2018.

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

- Dr A Davidson Medical Advisor and Chairperson
- Ms J Wolhuter Fund Manager
- Mr B Tate Trustee (resigned 28 February 2017)
- Mr A Hector Trustee (appointed 22 November 2017)
- Mr J Gillman Trustee
- Ms H Palekar Fund administrator's representative
- Ms E Simons Fund administrator's representative (resigned 31 December 2017)
- Mr F Mbumbwa Fund actuaries' representative

15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE

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

Trustee/ committee member	Board Meetings		Audit Committee Meetings		Invest- ment Committee Meetings		Benefits Committee Meetings		Clinical Committee Meetings		Ex-Gratia Committee Meetings		Disputes Committee Meetings	
	Number of meetings for the year		5		4		7		4		0		0	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Trustees														
Mr B van der Merwe (Chairperson)	5	5	-	-	-	-	-	-	-	-	-	-	-	-
Mr J Gillman	5	4	-	-	-	-	7	6	-	-	-	-	-	-
Ms S Malander	5	4	-	-	4	3	7	5	4	4	-	-	-	-
Mr S Latta	5	4	-	-	-	-	7	4	-	-	-	-	-	-
Mr T Magagula	5	3	-	-	4	2	-	-	-	-	-	-	-	-
Mr B Tate	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr A Hector	5	5	-	-	-	-	-	-	4	4	-	-	-	-
Ms Z Mowzer	5	5	5	5	-	-	-	-	-	-	-	-	-	-
Mr I Thompson	5	5	5	4	4	4	-	-	-	-	-	-	-	-
Ms Z Mgolodela	5	2	-	-	-	-	-	-	-	-	-	-	-	-
Mr F du Plessis	2	2	-	-	-	-	-	-	-	-	-	-	-	-
Principal Officer														
Mr F de Wit	5	5	5	5	4	4	7	7	4	3	-	-	-	-

**WOOLTRU HEALTHCARE FUND
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15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE (CONTINUED)

Trustee/ committee member	Board Meetings		Audit Committee Meetings		Invest- ment Committee Meetings		Benefits Committee Meetings		Clinical Committee Meetings		Ex-Gratia Committee Meetings		Disputes Committee Meetings	
	5		5		4		7		4		0		0	
Number of meetings for the year	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Committee members														
Ms J Wolhuter (Clinical/Ex gratia)	-	-	-	-	-	-	-	-	4	4	-	-	-	-
Mr R Stephens (Employer re- presentative)	5	3	-	-	-	-	-	-	-	-	-	-	-	-
Mr C Du Plessis (Employer re- presentative)	5	4	-	-	-	-	7	3	-	-	-	-	-	-
Ms A Brandes (Clinical)	-	-	-	-	-	-	-	-	4	3	-	-	-	-
Dr S Jairam (Clinical)	-	-	-	-	-	-	-	-	4	4	-	-	-	-
Ms H Palekar (Ex gratia)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ms E Simons(Ex gratia)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr F Mbumbwa (Clinical/ Ex gratia)	-	-	-	-	-	-	-	-	4	4	-	-	-	-
Dr A Davidson (Clinical/ Ex gratia)	-	-	-	-	-	-	-	-	4	4	-	-	-	-
Mr P Dyini (Audit/Disputes)	-	-	3	2	-	-	-	-	-	-	-	-	-	-
Mr D Crisp (Audit)	-	-	5	5	-	-	-	-	-	-	-	-	-	-
Ms A Kirsten (Investment)	-	-	-	-	4	3	-	-	-	-	-	-	-	-
Mr R Smit (Audit)	-	-	5	4	-	-	-	-	-	-	-	-	-	-
Ms H Drabbe (Benefits/ Disputes)	-	-	-	-	-	-	7	7	-	-	-	-	-	-
Ms A Gale (Disputes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ms T Mlotshwa (Audit/Invest- ment/Benefits)	-	-	5	5	4	3	7	6	-	-	-	-	-	-

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

16. MANAGEMENT OF INSURANCE RISK

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

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

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Notes	2017 R	2016 R
ASSETS			
Non-current assets			
Available-for-sale investments	9	53 032 387	66 912 490
Current assets			
Trade and other receivables		3 309 525	4 002 209
Available-for-sale investments	9	125 532 390	98 096 681
Cash and cash equivalents		46 140 032	34 743 252
Total assets		228 014 334	203 754 632
FUNDS AND LIABILITIES			
Members' funds			
General reserve		176 882 404	161 011 601
Revaluation reserve		7 330 786	3 574 566
HIV reserve		21 433 729	21 460 353
Current liabilities			
Trade and other payables		9 177 201	8 271 091
Outstanding claims provision	6	13 190 214	9 437 021
Total funds and liabilities		228 014 334	203 754 632

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	2017 R	2016 R
Risk contribution income		330 210 783	310 981 606
Relevant healthcare expenditure		(305 820 018)	(298 033 177)
Net claims incurred	7	(303 062 862)	(291 122 458)
Risk claims incurred		(303 118 550)	(291 380 655)
Third-party claim recoveries		55 688	258 197
Accredited managed healthcare expenses		(7 071 352)	(6 858 049)
Net income/(expense) on risk transfer arrangements	8	4 314 196	(52 670)
Premiums paid on risk transfer arrangements		(26 701 401)	(24 135 831)
Recoveries received on risk transfer arrangements		31 015 597	24 083 161
Gross healthcare result		24 390 765	12 948 429
Administration and other expenses		(27 955 589)	(25 957 484)
Net impairment (losses)/gains on trade and other receivables		(308 020)	8 969
Net healthcare result		(3 872 844)	(13 000 086)
Other income		20 754 379	13 226 947
Investment income	10	14 362 195	12 193 963
Net realised (losses)/gains on available-for-sale investments	11	(1 152 014)	1 027 979
Sundry income		7 544 198	5 005
Other expenditure		(1 037 356)	(728 771)
Investment management fees		(1 037 356)	(728 771)
Net surplus/(deficit) for the year		15 844 179	(501 910)
Other comprehensive income			
Items that will be reclassified to surplus or deficit on realisation			
Net unrealised gains on revaluation of available-for-sale investments		2 604 206	403 858
Net realised (losses)/gains on available-for-sale investments recognised as other income		1 152 014	(1 027 979)
Total comprehensive surplus/(deficit) for the year		19 600 399	(1 126 031)

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2017

	R	R	R	R
	General reserve	Revaluation reserve	HIV reserve	Members' funds
Balance at 1 January 2016	162 047 581	4 198 687	20 926 283	187 172 551
Deficit for the year	(501 910)	-	-	(501 910)
Unrealised gains on revaluation of available-for-sale investments*	-	403 858	-	403 858
Net realised gains on available- for-sale investments recognised as other income*	-	(1 027 979)	-	(1 027 979)
Transfer to HIV reserve	(534 070)	-	534 070	-
Balance at 1 January 2017	161 011 601	3 574 566	21 460 353	186 046 520
Surplus for the year	15 844 179	-	-	15 844 179
Unrealised gains on revaluation of available-for-sale investments*	-	2 604 206	-	2 604 206
Net realised gains on available- for-sale investments recognised as other income*	-	1 152 014	-	1 152 014
Transfer from HIV reserve	26 624	-	(26 624)	-
Balance at 31 December 2017	176 882 404	7 330 786	21 433 729	205 646 919

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

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

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Notes	2017 R	2016 R
Surplus/(Deficit) for the year		15 844 179	(501 910)
Adjustments for:			
- Interest income on available-for-sale financial assets	10	(10 051 941)	(9 905 851)
- Dividend income on available-for-sale financial assets	10	(1 855 204)	(1 159 949)
- Interest income on cash and cash equivalents	10	(2 455 050)	(1 128 163)
- Management fees and bank charges	9	1 037 356	728 771
- Net realised losses/(gains) on available-for-sale investments	11	1 152 014	(1 027 979)
- Net impairment losses/(gains) on trade and other receivables		308 020	(8 969)
CASH FLOWS FROM OPERATING ACTIVITIES		3 979 374	(13 004 050)
Decrease/(increase) in net trade and other receivables		467 608	(1 907 126)
Increase in trade and other payables		906 110	7 592 387
Increase/(decrease) in outstanding claims provision		3 753 193	(3 065 610)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		9 106 285	(10 384 399)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on cash and cash equivalents		2 455 050	1 128 163
Additions to available-for-sale investments	9	(58 144 076)	(196 631 070)
Disposals of available-for-sale investments	9	57 979 521	213 204 200
NET CASH INFLOW FROM INVESTING ACTIVITIES		2 290 495	17 701 293
NET INCREASE IN CASH AND CASH EQUIVALENTS		11 396 780	7 316 894
Cash and cash equivalents at beginning of the year		34 743 252	27 426 358
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		46 140 032	34 743 252

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2017

1. PRINCIPAL ACCOUNTING POLICIES

The summarised annual financial statements for the year ended 31 December 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The principal accounting policies applied in the preparation of the Fund's annual financial statements are set out below and are in accordance with International Financial Reporting Standards (IFRS). The policies and methods used for the audited annual financial statements have been consistently applied for these summarised financial statements.

The summarised annual financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements as at 31 December 2017.

2. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

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

3. CONTINGENT LIABILITIES

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees, suretyships or alike at 31 December 2017.

4. CONTINGENT ASSETS

At year end, claims amounting to R7 966 449 (2016: R6 354 370) had been lodged with the Road Accident Fund (RAF) relating to past medical expenses already paid, with the potential recovery value of R6 612 153 (2016: R5 274 127). These recoveries are dependent on finalisation by the RAF and corresponding legal processes, which can take a number of years to conclude.

5. AUDITED ANNUAL FINANCIAL STATEMENTS

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

Business address	Postal address
Wooltru Healthcare Fund Building 6, Parc du Cap Bellville 7530	Wooltru Healthcare Fund PO Box 15403 Vlaeberg 8018

6. OUTSTANDING CLAIMS PROVISION

	R Covered by risk transfer arrangements	R Not covered by risk transfer arrangements
2017		
Outstanding claims provision	1 161 371	12 028 897
Provision arising from liability adequacy test	-	-
	<u>1 161 371</u>	<u>12 028 897</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	622 131	8 814 890
Payments in respect of prior year	<u>(622 131)</u>	<u>(9 766 683)</u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2017 (continued)

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

	R	R
	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
2017 (continued)		
Under provision in respect of prior year	-	(951 793)
Adjustment for current year	1 161 317	12 980 690
Balance at end of year	<u>1 161 317</u>	<u>12 028 897</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	12 028 897
Outstanding claims provision relating to risk transfer arrangements	<u>1 161 317</u>	-
Balance at end of year	<u>1 161 317</u>	<u>12 028 897</u>
Total outstanding claims provision at end of year		<u>13 190 214</u>
2016		
Outstanding claims provision	622 131	8 814 890
Provision arising from liability adequacy test	-	-
	<u>622 131</u>	<u>8 814 890</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	789 769	11 712 862
Payments in respect of prior year	(789 769)	(12 129 296)
Under provision in respect of prior year	-	(416 434)
Adjustment for current year	<u>622 131</u>	<u>9 231 324</u>
Balance at end of year	<u>622 131</u>	<u>8 814 890</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	8 814 890
Outstanding claims provision relating to risk transfer arrangements	<u>622 131</u>	-
Balance at end of year	<u>622 131</u>	<u>8 814 890</u>
Total outstanding claims provision at end of year		<u>9 437 021</u>

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

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out monthly. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivities (continued)

Process used to determine the assumptions (continued)

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

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

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

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

Assumptions

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

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

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

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

	2017	2016
Claims outstanding for:	%	%
December	46%	40%
November	12%	10%
October	3%	3%
September	1%	1%
August and prior	0%	1%

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2017 (continued)

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivities (continued)

Changes in assumptions and sensitivities to changes in key variables

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.

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

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

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

	Change in liability	Change in liability
	2017	2016
	R	R
Effect of a 1 percentage point change in all the assumed percentages	1 031 082	1 008 247
Effect of a 2 percentage point change in all the assumed percentages	2 061 812	2 038 131
Effect of a 3 percentage point change in all the assumed percentages	3 092 543	3 089 704

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

7. NET CLAIMS INCURRED

	2017	2016
	R	R
Claims incurred, excluding claims incurred in respect of risk transfer arrangements		
Current year claims	259 184 436	258 177 103
Movement in outstanding claims provision	12 980 690	9 231 324
- Under provision in prior years	951 793	416 434
- Year-end provision	12 028 897	8 814 890
Less:		
- Discount received on claims	(62 173)	(110 933)
	272 102 953	267 297 494
Claims incurred in respect of risk transfer arrangements		
Current year claims	29 854 280	23 461 030
Year-end provision	1 161 317	622 131
	31 015 597	24 083 161

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2017 (continued)

7. NET CLAIMS INCURRED (CONTINUED)

	2017	2016
	R	R
Third-party claim recoveries		
Recoveries from the Road Accident Fund	(55 688)	(258 197)
TOTAL NET CLAIMS INCURRED	303 062 862	291 122 458

8. NET (INCOME)/EXPENSE ON RISK TRANSFER ARRANGEMENTS

	2017	2016
	R	R
Premiums paid		
- MMI Health (Pty) Ltd [Plus and Extended]	11 684 044	12 422 292
- MMI Health (Pty) Ltd risk transfer arrangement profit share	-	(515 316)
- Under provision on prior year risk transfer arrangement profit share	6 154	(386 746)
- MMI Health (Pty) Ltd [Core]	14 271 591	11 852 816
- Netcare 911 (Pty) Ltd	793 612	762 785
	<u>26 701 401</u>	<u>24 135 831</u>
Recoveries received	(31 015 597)	(24 083 161)
- MMI Health (Pty) Ltd [Plus and Extended]	(13 211 489)	(11 326 073)
- MMI Health (Pty) Ltd [Core]	(16 816 355)	(11 433 318)
- Netcare 911 (Pty) Ltd	(987 753)	(1 323 770)
	<u>(4 314 196)</u>	<u>52 670</u>

Overview of terms and conditions of risk transfer agreements:

The Fund entered into two risk transfer arrangements with MMI Health (Pty) Ltd. The first arrangement provides all healthcare benefits for beneficiaries registered on the Core Option via specialist, and general practitioner networks and designated service provider networks for the Plus and Extended options.

The second risk transfer arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended options

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

9. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	R	R
Fair value at the beginning of the year	165 009 171	170 922 542
Additions	58 144 076	196 631 070
Disposals	(57 979 521)	(213 204 200)
Unrealised gains on revaluation of available-for-sale investments	2 604 206	403 858

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2017 (continued)

9. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

	2017	2016
	R	R
Investment income on available-for-sale investments	11 907 144	11 065 800
Movement in accrued income	(82 943)	(81 128)
Investment management fees	(1 037 356)	(728 771)
Fair value at the end of the year	<u>178 564 777</u>	<u>165 009 171</u>
Non-current	53 032 387	66 912 490
Current	<u>125 532 390</u>	<u>98 096 681</u>
	<u>178 564 777</u>	<u>165 009 171</u>

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

	2017	2016
	R	R
Bonds	72 627 920	57 421 676
Equity	41 316 107	52 580 259
Money-market instruments	64 620 750	55 007 236
	<u>178 564 777</u>	<u>165 009 171</u>

The investments included above are administered by Prescient Investment Management (Pty) Ltd and Coronation Asset Management (Pty) Ltd. The fair values of these investments are based on market value at 31 December 2017.

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

10. INVESTMENT INCOME

	2017	2016
	R	R
Interest income on available-for-sale financial assets	10 051 941	9 905 851
Dividend income on available-for-sale financial assets	1 855 204	1 159 949
Interest income on cash and cash equivalents	2 455 050	1 128 163
Fair value at the end of the year	<u>14 362 195</u>	<u>12 193 963</u>

11. NET REALISED (LOSSES)/GAINS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	R	R
Realised gains on available-for-sale financial assets	9 913 330	22 454 312
Equity and derivatives	1 112 489	7 079 190
Bonds	47 497	1 853 616
Money-market instruments	8 753 344	13 521 506

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2017 (continued)

11. NET REALISED (LOSSES)/GAINS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

	2017	2016
	R	R
Realised losses on available-for-sale financial assets	(11 065 344)	(21 426 333)
Equity and derivatives	(4 049 331)	(5 997 555)
Bonds	-	(1 963 630)
Money-market instruments	(7 016 013)	(13 465 148)
	<u>(1 152 014)</u>	<u>1 027 979</u>

12. SURPLUS/(DEFICIT) PER BENEFIT OPTION

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

2017	CORE	PLUS	EXTENDED	TOTAL
	R	R	R	R
Risk contribution income	16 834 046	274 327 309	39 049 428	330 210 783
Relevant healthcare expenditure	(14 217 591)	(250 743 230)	(40 859 197)	(305 820 018)
Net claims incurred	(16 938 385)	(243 905 243)	(42 219 234)	(303 062 862)
Managed care: management services	-	(6 614 404)	(456 948)	(7 071 352)
Net (expense)/income on risk transfer arrangements	2 720 794	(223 583)	1 816 985	4 314 196
Gross healthcare result	2 616 455	23 584 079	(1 809 769)	24 390 765
Administrative expenses	(1 758 114)	(24 497 217)	(1 700 258)	(27 955 589)
Impairment losses on trade and other receivables	(32 159)	(258 209)	(17 652)	(308 020)
Net healthcare result	826 182	(1 171 347)	(3 527 679)	(3 872 844)
Other income	2 196 924	17 374 333	1 183 122	20 754 379
Investment income	1 520 289	12 023 176	818 730	14 362 195
Net realised gains on available-for-sale investments	(121 945)	(964 397)	(65 672)	(1 152 014)
Sundry income	798 580	6 315 554	430 064	7 544 198
Other expenditure	(109 808)	(868 413)	(59 135)	(1 037 356)
Investment management fees	(109 808)	(868 413)	(59 135)	(1 037 356)
Surplus/(deficit) for the year	2 913 298	15 334 573	(2 403 692)	15 844 179
2016	CORE	PLUS	EXTENDED	TOTAL
	R	R	R	R
Risk contribution income	13 523 552	257 267 074	40 190 980	310 981 606
Relevant healthcare expenditure	(11 852 816)	(243 811 543)	(42 368 818)	(298 033 177)
Net claims incurred	(11 470 727)	(235 986 536)	(43 665 195)	(291 122 458)

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2017 (continued)

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

2016 (continued)	CORE	PLUS	EXTENDED	TOTAL
	R	R	R	R
Managed care:				
Management services	-	(6 371 768)	(486 281)	(6 858 049)
Net (expense)/income on risk transfer arrangements	(382 089)	(1 453 239)	1 782 658	(52 670)
Gross healthcare result	1 670 736	13 455 531	(2 177 838)	12 948 429
Administrative expenses	(1 378 997)	(22 827 833)	(1 750 654)	(25 957 484)
Impairment losses on trade and other receivables	855	7 733	381	8 969
Net healthcare result	292 594	(9 364 569)	(3 928 111)	(13 000 086)
Other income	1 192 909	11 197 142	836 896	13 226 947
Investment income	1 099 747	10 322 679	771 537	12 193 963
Net realised gains on available-for-sale investments	92 711	870 226	65 042	1 027 979
Sundry income	451	4 237	317	5 005
Other expenditure	(65 726)	(616 934)	(46 111)	(728 771)
Investment management fees	(65 726)	(616 934)	(46 111)	(728 771)
Surplus/(deficit) for the year	1 419 777	1 215 639	(3 137 326)	(501 910)

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

13. RELATED PARTY TRANSACTIONS

Related party relationships:

Parties with significant influence over the Fund

Woolworths Holdings Ltd and Truworths International Ltd have significant influence over the Wooltru Healthcare Fund, as they participate in the Fund's financial and operating policy decisions, through Trustee representatives, but do not control the Fund.

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

Willis Towers Watson (Pty) Ltd has significant influence over the Wooltru Healthcare Fund, as it consults and advises on various actuarial and strategic issues which guide the Fund's operations, including investment and clinical review matters, but does not control the Fund.

Prescient Investment Management (Pty) Ltd (Prescient), has significant influence over the Wooltru Healthcare Fund, as it manages the Fund's investments which comprise a material portion of the Fund's total assets, but does not control the Fund.

Coronation Asset Management (Pty) Ltd (Coronation), has significant influence over the Wooltru Healthcare Fund, as it manages the Fund's investments which comprise a material portion of the Fund's total assets, but does not control the Fund.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2017 (continued)

13. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel and their close family members

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

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

Transactions with related parties

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

Key management personnel

	2017	2016
<i>Compensation</i>	R	R
Principal Officer's fees	850 000	614 568
Contribution towards Fund Manager's remuneration	365 160	352 776
Medical Advisor's fees	570 324	538 541
Trustee remuneration and independent committee members' fees	136 120	97 520
	<u>1 921 604</u>	<u>1 603 405</u>

Statement of comprehensive income

Risk contributions received	607 200	666 473
Claims incurred	374 988	452 139
Catering fees Woolworths (Pty) Ltd	16 883	27 239

Statement of financial position

Investments in participating employers of members		
Truworths International Ltd	91 999	193 218
Woolworths Holdings Ltd	657 760	771 003

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

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

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2017 (continued)

13. RELATED PARTY TRANSACTIONS (CONTINUED)

Other transactions

Transactions with entities that have significant influence over the Fund

Summarised statement of comprehensive income

Administration fees paid to MMI Health (Pty) Ltd	22 957 035	21 503 827
Managed healthcare fees and capitation premiums paid to MMI Health (Pty) Ltd	17 457 249	18 464 692
Refund of administration fees	(7 534 128)	-
Claims recoveries from MMI Health (Pty) Ltd	(13 211 489)	(11 326 073)
Capitation agreement profit share allocation from MMI Health (Pty) Ltd	-	(515 316)
Under provision on prior year risk transfer arrangement profit share	6 154	(386 746)
Investment management fees paid to Prescient and Coronation	1 037 356	728 771
Actuarial fees paid to Willis Towers Watson	1 317 658	1 244 333

Summarised statement of financial position

Actuarial fees due to Willis Towers Watson	-	(103 694)
Provision for risk transfer agreement profit share	-	515 316
Claims recoveries due	156 460	507 219
Investment in holding company of the administrator	508 649	490 571

Terms and conditions of the administration agreement

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

Terms and conditions of the managed healthcare agreement

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

Terms and conditions of the Prescient investment management contract

The investment management contract with Prescient is in accordance with instructions given by the Trustees of the Fund. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Fund has the right to terminate the agreement on a day's notice. Fees are calculated on an arm's length basis on market-related terms.

Terms and conditions of the Coronation investment management contract

The investment management contract with Coronation is in accordance with instructions given by the Trustees of the Fund. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Fund has the right to terminate the agreement on a day's notice. Fees are calculated on an arm's length basis on market-related terms.

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

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

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

The Council for Medical Schemes stipulated, via Circular 11 of 2006, that all cases of non-compliance with the Act should be disclosed in the annual financial statements. The following matters are accordingly disclosed:

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

Nature and impact

The Council for Medical Schemes has approved the rules of the Wooltru Healthcare Fund in terms of Section 33(2) of the Medical Schemes Act. As per the submission approved by the Registrar, the Extended Option was in a net deficit position of R2 403 692 (2016: R3 137 326), representing 0.7% (2016: 1.0%) of the aggregated risk contribution income of the Fund.

Cause of failure

The Extended Option is selected by most of the Fund's retired members as it offers more extensive benefits. The age profile of this option is therefore higher than that of the other options resulting in higher claims per member than the other options. Its deficit represents 6.2% (2016: 7.8%) of the Extended Option's annual risk contribution income for 2017.

Corrective action

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

Regulation 8(1) of the Medical Schemes Act - PMB claims

Nature and impact

Regulation 8(1) of the Medical Schemes Act No 131 of 1998 states that: subject to the provisions of this regulation, any benefit option that is offered by a medical scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions.

During the review a small number of the PMB-related claims were noted as not paid in full or at cost.

Cause of failure

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

Corrective action

The identification controls to identify claims as PMB's is constantly being reviewed to improve the risk of paying PMB claims incorrectly. The Administrator continues to refine these controls while balancing the financial risk to the Fund where providers are upcoding and incorrectly trying to validate claims as a PMB.

Section 59(2) and Regulation 6(2) of the Medical Schemes Act - Claims not settled within 30

Nature and impact

Section 59 (2) of the Medical Schemes Act states that a medical scheme shall pay a member or supplier of service, any benefit owing to that member or supplier within 30 days of receipt of the medical claim. In addition, Regulation 6(2) states that if the medical scheme is of the opinion that the account is erroneous or unacceptable for payment, it must inform both the member and the relevant healthcare provider within 30 days after receipt of such account.

The Administrator changed systems in January 2017, resulting in a number of instances where claims were paid after 30 days from the date of receipt. In these cases members and service providers were not notified that the claims had been placed on hold or rejected, resulting in contravention of Regulation 6(2) of the regulations to the Medical Schemes Act.

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

Section 59(2) and Regulation 6(2) of the Medical Schemes Act - Claims not settled within 30 (continued)

Cause of failure

A number of claims were not paid within 30 days due to the system migration that took place in January 2017. These claims were subsequently processed and settled.

Corrective action

At the start of 2017, claims for certain providers were placed on hold to ensure these were accurately paid on the new administration platform. The Administrator informed the Fund, Providers and the Council for Medical Schemes regarding the delay in processing and paying these claims. The claims were subsequently paid and the normal two-weekly claims payment processes were reinstated at the end of February 2018.

Section 26(7) of the Act - Contributions received after three days of it becoming due

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the scheme. The rules state that contributions should be received no more than three days after they become due. During the 2017 year, there were no instances where contributions at an employer group level were received later than three days after the due date. As at 31 December 2017, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R146 708 (2016: R37 283). This amount represents 0.04% (2016: 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 contribution debtors at year end relate to membership changes after initial contributions were raised.

Corrective action

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

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

Nature and impact

Wooltru Healthcare Fund, through Coronation Asset Management (Pty) Ltd and Prescient Investment Management (Pty) Ltd, holds investments in participating employers as well as holding companies of medical scheme administrators as at 31 December 2017. This is in contravention of Section 35(8) (a) and (c) of the Act, as the Fund is not allowed to hold shares in the holding company of an administrator or any participating employer.

Cause of failure

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

Corrective action

The Fund received an exemption in March 2017 from the Council for Medical Schemes from complying with Section 35(8)(a) and (c), in so far as it relates to investments placed with asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund. The exemption was granted up until March 2018 and a subsequent application has been submitted for 2018.

WOOLTRU HEALTHCARE FUND REMUNERATION POLICY

1. INTRODUCTION

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

2. REMUNERATION ELIGIBILITY

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

3. REMUNERATION POLICY

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

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

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

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

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

4. REMUNERATION

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

5. REMUNERATION REVIEW

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

6. ANNUAL GENERAL MEETING

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

Signed on behalf of the Wooltru Healthcare Fund's Board of Trustees at the Annual General Meeting held on 28 June 2018.

Chairperson of the Board of Trustees

Trustee

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

ANNEXURE 1

2018 CALENDAR YEAR: REMUNERATION STRUCTURE FOR INDEPENDENT TRUSTEE/COMMITTEE MEMBERS

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

Category	Agreed upon fee structure
Member-elected Trustee (not a full-time employee)	R9 119 per meeting
Independent Chairperson – Audit Committee	R10 938 per meeting
Independent member – Audit Committee, Benefit Committee and Investments Committee	R21 080 retainer fee per quarter

Signed on behalf of the Wooltru Healthcare Fund's Board of Trustees at the Annual General Meeting held on 28 June 2018.

Chairperson of the Board of Trustees

Trustee

