



NOTICE IS HEREBY GIVEN THAT THE FIFTY-THIRD 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 WEDNESDAY, 26 JUNE 2019 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 28 June 2018.
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 2018.
7. To adopt the annual financial statements for the year ended 31 December 2018.
8. To approve the Trustee remuneration policy and structure for the 2019 calendar year.
9. To appoint the auditors for the ensuing year.
10. To note that there will be no Trustee election at the 2019 Annual General Meeting.
11. General.

By order of the Board

FRANCOIS DE WIT
PRINCIPAL OFFICER

MINUTES OF THE FIFTY-SECOND 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 THURSDAY, 28 JUNE 2018 AT 14:00

- **PRESENT:** 33 members were represented in person and one proxy was received
- **CHAIRPERSON:** Mr Burger van der Merwe
- **PRINCIPAL OFFICER:** Mr Francois de Wit
- **APOLOGIES:** None

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 the Principal Officer, Mr de Wit.

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 Brandes from MMI Health (Pty) Ltd, who was in attendance at the meeting.

3. CONFIRMATION OF MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 20 JUNE 2017

Mr Magagula proposed that the minutes of the 2017 Annual General Meeting be approved and adopted.

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

The minutes of the fifty-first Annual General Meeting, held on 20 June 2017, were signed as a true record of the proceedings.

No matters arising from the minutes of the 2017 Annual General Meeting were raised for further discussion.

4. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2017

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

5. REPORT OF THE BOARD OF TRUSTEES (BOT) FOR THE YEAR ENDED 31 DECEMBER 2017

The annual report of the Board of Trustees for the year ended 31 December 2017, having been circulated, was taken as read. The Chairperson highlighted the following items in the report:

- The Core Option had yielded a net healthcare surplus of R0.8 million vs R0.3 surplus in 2016;
- The Plus Option had yielded a net healthcare deficit of R1.2 million vs R9.4 million deficit in 2016;
- The Extended Option had yielded a net healthcare deficit of R3.5 million vs R3.9 million deficit in 2016;
- The accumulated funds as at 31 December 2017 were R198.3 million with the solvency ratio of 60.1%. This compared favourably against the statutory minimum solvency level of 25%.

The Chairperson complimented the Board of Trustees on achieving a solvency level above 60% within one year of having set this target.

The Chairperson stated that the Fund was well positioned to meet its future challenges.

6. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Annual Financial Statements for the year ended 31 December 2017 were circulated prior to the meeting.

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)

6. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

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 Inc., and the Audit Committee for the preparation and review of the Annual Financial Statements.

7. APPROVAL OF THE AUDITED ANNUAL FINANCIAL STATEMENTS, THE REPORT OF THE BOARD OF TRUSTEES AND THE AUDITORS REPORT

Ms Mowzer 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 2017 be approved and adopted.

Mr Hector seconded the proposal, which was then unanimously adopted.

8. TRUSTEE REMUNERATION POLICY

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

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

Mr Hector seconded the proposal, which was unanimously adopted.

9. APPOINTMENT OF THE AUDITORS FOR THE ENSUING YEAR

The Principal Officer 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 2018.

Ms Malander proposed that the appointment of Ernst & Young Inc. as the external auditors to the Fund for the financial year ending 31 December 2018 be approved and adopted.

Mr Gillman seconded the proposal, which was unanimously adopted.

10. ELECTION OF TRUSTEES

At the request of the Chairperson, the Principal Officer advised that the Fund rules had been amended during 2017 to allow a five-year term of office for all Trustees. The Trustees' term of office was previously three years. This rule amendment had been accepted by the Council for Medical Schemes.

An election had taken place at the 2017 AGM and the elected Trustees would serve the five-year term. As there are no current vacancies no elections would be required at the 2018 AGM.

11. GENERAL

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

12. 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 _____ 2019

CHAIRPERSON

PRINCIPAL OFFICER

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2018**

CHAIRPERSON’S REVIEW

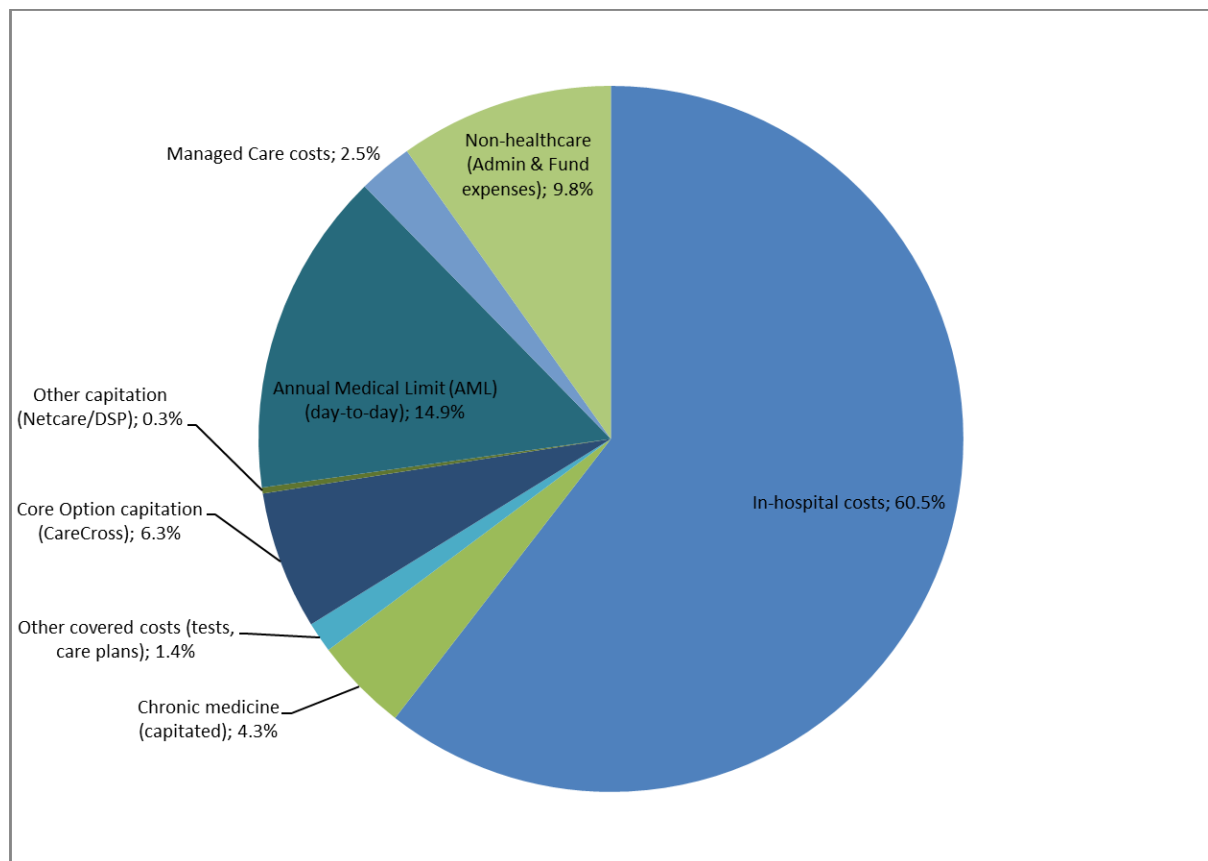
As Chairperson of the Board of Trustees (‘the Board’) of the Wooltru Healthcare Fund (‘the Fund’), I have pleasure in presenting the Board’s report for the year ended 31 December 2018.

The 2018 financial year yielded less favourable results for the Fund when compared to 2017. The net healthcare deficit (before investment income) for the year amounted to R6.9 million (2017: R3.9 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 (2017: R0.8 million surplus)
- The Plus Option yielded a net healthcare surplus of R1.0 million (2017: R1.2 million deficit)
- The Extended Option reflected a net healthcare deficit of R8.7 million (2017: R3.5 million deficit).

Investment returns (net of fees) yielded R13.7 million for the year (2017: R12.2 million). The Fund implemented IFRS 9 during 2018, which resulted in unrealised losses on financial assets at fair value of R9.7m being recorded as part of net surplus or deficit. Sundry income amounting to R0.1 million (2017: R7.5 million) was received, which contributed towards the overall deficit for the year of R2.8 million (2017: R15.8 million surplus).

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 2018 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

Accumulated funds (including cumulative unrealised losses on investments at fair value) as at 31 December 2018 were R202.8 million (2017: R198.3 million) while the solvency ratio of 58.99% (2017: 60.06%) 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 5.5% on average for the Core Option, 7.4% for the Plus Option and 9.9% 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.

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 2018 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 Thompson	Mr A Hector
Ms Z Mgolodela	Mr S Latta
Ms Z Mowzer	Mr T Magagula

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
- Administrator: MMI Health (Pty) Ltd
- Asset managers: Prescient Investment Management (Pty) Ltd, Coronation Life Assurance Company Ltd and Allan Gray Life Ltd
- Auditors: Ernst & Young Inc.
- Emergency evacuation: Netcare 911 (Pty) Ltd
- Managed care: MMI Health (Pty) Ltd
- Network & designated service provider manager: MMI Health (Pty) Ltd

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2018 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

1. GOVERNANCE (CONTINUED)

1.4 Service Providers (continued):

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 restructure 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 a medical savings account (MSA) from which to fund day-to-day benefits. The members are responsible for managing their own day-to-day expenses within the MSA. Any unused balance at the end of the 2018 benefit year remained to the credit of members and carried over to the 2019 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 limit (AML) from which to fund day-to-day benefits. The Extended Option makes provision for a materially higher AML than the Plus Option MSA, 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 2018 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 2018, the Fund's investible assets were split between the appointed asset managers as follows:

- | | |
|---|-----|
| • Prescient Investment Management Ltd (Prescient): | 17% |
| • Coronation Life Assurance Company Ltd (Coronation): | 31% |
| • Allan Gray Life Ltd (Allan Gray): | 52% |

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2018 (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 2018 in respect of the portfolios in which the Fund was invested:

- Prescient: one year: 6.4%, three years: 6.7%, five years: 6.5%
- Coronation: one year: 0.1%, three years: 4.8%, five years*: 4.6%*
[* For comparative purposes only, as Coronation was introduced as an asset manager in 2013]
- Allan Gray: one year: 3.9%, three years: 8.9%, five years*: 9.2%*
[* For comparative purposes only, as Allan Gray was introduced as an asset manager in 2018]

The total Fund returns fell behind CPI inflation in 2018 but were in line with consumer price index (CPI) inflation when measured over three and five year periods:

- Total Fund: one year: 1.0%, three years: 5.4%, five years: 5.8%
- CPI inflation: one year: 5.3%, three years: 5.6%, five years: 5.6%

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

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

4. REVIEW OF THE YEAR'S ACTIVITIES

4.1 Operational activities

	2018	2017	% change
Number of members at year-end	9 820	9 806	0.14%
Average number of members for the year	9 810	9 899	-0.90%
Average risk contribution per member per month (R)	2 448	2 780	-11.94%
Average relevant healthcare expenditure per member per month (R)	2 262	2 575	-12.16%
Dependants to member ratio at 31 December	0.87	0.92	-5.43%
Average age of beneficiaries	31	31	0%
Pensioner ratio	13.39%	13.85%	-3.32%
Administration costs per member per month (R)	243	235	3.40%
Relevant healthcare expenditure as a percentage of risk contributions	92.36%	92.61%	-0.27%
Administration expenses as a percentage of gross contributions	8.40%	8.47%	-0.83%
Accumulated funds ratio (solvency ratio) at year-end	58.99%	60.06%	-1.78%

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.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2018 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

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

4.3 Net healthcare result per option

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

	2018	2017
	<u>R'000</u>	<u>R'000</u>
Core	800	826
Plus	982	(1 171)
Extended	<u>(8 656)</u>	<u>(3 528)</u>
Total (deficit)	<u>(6 874)</u>	<u>(3 873)</u>

Although an operational deficit (prior to investment income) was experienced on the Extended Option for 2018, the Fund remains in an overall financially sound position.

4.4 Reserves

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

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

The Fund adopted IFRS 9 during 2018 and as a result thereof, the Fund's investments were classified as financial assets at fair value through profit or loss. The revaluation reserve was reclassified to the general reserve and any unrealised gains/losses on the Fund's investments were disclosed as part of operating profit or loss.

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

	2018	2017
	<u>R'million</u>	<u>R'million</u>
General reserve	202.8	176.9
HIV reserve	-	21.4
Total members' funds	<u>202.8</u>	<u>198.3</u>
 Solvency ratio at year-end: (% of annual contributions)	 <u>58.99%</u>	 <u>60.06%</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 2018, detailing the benefits and contributions for 2019. In addition, members are encouraged to visit the Fund's website (www.wooltruhealthcarefund.co.za) regularly.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2018 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

5. COMMUNICATION TO MEMBERS (CONTINUED)

The site is hosted by the Administrator, and can be used for information relating to the rules of the Fund and other pertinent information. Members now also have access to the Fund's app, which can be downloaded.

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.

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 2018 audited Annual Financial Statements.

9. CONTRIBUTION INCREASES AND BENEFIT REVIEW

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

10. INDUSTRY DEVELOPMENTS

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

11. VOTE OF APPRECIATION

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

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 2019 and beyond.



Burger van der Merwe
Chairperson
April 2019

**WOOLTRU HEALTHCARE FUND
SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2018**

INDEPENDENT AUDITOR'S REPORT ON SUMMARISED ANNUAL FINANCIAL STATEMENTS TO THE MEMBERS OF THE WOOLTRU HEALTHCARE FUND

Report on the Summarised Annual Financial Statements

Opinion

The Summarised Annual Financial Statements, as set out on pages 26 to 44, which comprise the summarised statement of financial position as at 31 December 2018, the summarised statement of comprehensive income, the summarised statement of changes in funds and reserves and the summarised statement of cash flow for the year then ended, and related notes, are derived from the audited Annual Financial Statements of the Wooltru Healthcare Fund for the year ended 31 December 2018.

In our opinion, the accompanying Summarised Annual Financial Statements are consistent, in all material respects, with the Annual Financial Statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Summarised Annual Financial Statements

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

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited Annual Financial Statements in our report dated 18 April 2019.

Trustees' Responsibility for the Summarised Annual Financial Statements

The Trustees are responsible for the preparation of the Summarised Annual 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 Summarised Annual Financial Statements are consistent, in all material respects, with the audited Annual 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*.

Report on other legal and regulatory requirements

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that Ernst & Young Inc has been the auditor of the Wooltru Healthcare Fund for twenty-four years (24).

The engagement partner, Tareq Carrim, has been responsible for the Wooltru Healthcare Fund's audit for one year (1).



Ernst & Young Inc
Director: Tareq Carrim
Registered Auditor
Chartered Accountant (SA)

14 May 2019

**WOOLTRU HEALTHCARE FUND
STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES
for the year ended 31 December 2018**

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation, integrity and fair presentation of the Summarised Annual Financial Statements of the Wooltru Healthcare Fund (the Fund). The Summarised Annual Financial Statements presented on pages 26 to 44 have been prepared in accordance with International Financial Reporting Standards (IFRS), the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes and the Medical Schemes Act of South Africa and include amounts based on judgements and estimates.

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

The Trustees are satisfied that the information contained in the Summarised Annual Financial Statements fairly presents the results of operations for the year and the financial position of the Fund at year end. The Trustees also prepared the information included in their annual report, on pages 13 to 25, and are responsible for both its accuracy and its consistency with the Summarised Annual Financial Statements.

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

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

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

The Fund's external auditors, Ernst & Young Inc, audited the Summarised Annual Financial Statements and are responsible for reporting on the fair presentation of the financial statements. Their report is presented on page 10.

The Annual Financial Statements were approved by the Board of Trustees on 18 April 2019. The Summarised Annual Financial Statements have been derived from information contained in the Annual Financial Statements.



Mr B van der Merwe
Chairperson



Ms S Malander
Trustee



Mr F de Wit
Principal Officer

14 May 2019

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2018**

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

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

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



Mr B van der Merwe
Chairperson



Ms S Malander
Trustee



Mr F de Wit
Principal Officer

14 May 2019

**WOOLTR U HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2018**

The Board of Trustees hereby presents its report for the year ended 31 December 2018:

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)
- Ms S Malander (Vice-Chairperson)
- Mr I Thompson
- Ms Z Mowzer
- Ms Z Mgolodela

Member-elected Trustees

- Mr J Gillman
- Mr A Hector
- Mr S Latta
- Mr T Magagula
- Mr F du Plessis

1.2 Principal Officer

Mr F de Wit

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

Company registration number: 1969/16884/07

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2018 (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 Life Assurance Company Limited

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

Financial services provider number: 548

Allan Gray Life Limited

Business address	Postal address
No.1 Silo Silo Square V&A Waterfront Cape Town 8001	PO Box 51318 V&A Waterfront Cape Town 8002

Financial services provider number: 6663

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. MANAGEMENT (CONTINUED)

1.8 Actuaries and investment advisors: NMG Consultants and Actuaries (Pty) Ltd (Effective from 8 February 2018)

Business address	Postal address
Belvedere Office Park Block B Pasita Street Bellville 7530	PO Box 3950 Tygervalley 7530

1.9 Actuaries and investment advisors : Willis Towers Watson (Pty) Ltd (Up until 7 February 2018)

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.

2.2 Options within the Wooltru Healthcare Fund

The Fund offers three benefit options to members:

- Core
- Plus
- Extended.

Savings was introduced to the Plus Option effective 1 January 2018, which has resulted in changes to the contribution and benefit structure of the option.

2.3 Risk transfer arrangements

During 2018 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.

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

2.4 Changes in operating environment

Savings was introduced to the Plus Option effective 1 January 2018, which has resulted in changes to the contribution and benefit structure of the option.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2018 (continued)**

3. REVIEW OF THE YEAR'S ACTIVITIES

3.1 Operational activities

2018

	Core	Plus	Extended	Total
Number of members at year-end	1 329	7 985	506	9 820
Number of beneficiaries at year-end	1 924	15 504	957	18 385
Average number of members for the year	1 205	8 088	517	9 810
Average number of beneficiaries for the year	1 752	15 808	989	18 549
Dependants to member ratio at year-end	0.45	0.94	0.89	0.87
Average age of beneficiaries for the year	27.55	30.50	50.00	31.20
Pensioner ratio (%)	7.98	11.28	60.87	13.39
Risk contributions per average member per month (R)	1 493	2 357	6 110	2 448
Risk contributions per average beneficiary per month (R)	1 027	1 206	3 194	1 295
Relevant healthcare expenditure as a percentage of risk contributions (%)	85.77	88.64	118.60	92.36
Relevant healthcare expenditure per average member per month (R)	1 280	2 089	7 246	2 262
Relevant healthcare expenditure per average beneficiary per month (R)	881	1 069	3 788	1 196
Amounts paid to Administrator (R)	1 604 636	20 535 361	1 321 516	23 461 513
Average administration cost per member per month (R)				243
Average administration cost per beneficiary per month (R)				129
Administration cost as a percentage of risk contributions (%)	10.38	10.83	1.70	8.32
Average managed care expense per member per month (R)	-	70	70	62
Average managed care expense per beneficiary per month (R)	-	36	37	33
Non-healthcare expenditure as a percentage of risk contributions (%)	10.53	10.93	1.72	8.40
Accumulated funds per member at 31 December (R)				20 652
Realised return on investments as a percentage of investments (%)				6.22
Total return on investments (%)				3.50

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

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2018 (continued)**

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

3.1 Operational activities (continued)

2017 (continued)

	Core	Plus	Extended	Total
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
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 gross 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

3.2 Financial results

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

3.3 Solvency ratio

	2018	2017
	R	R
The solvency ratio is calculated on the following basis:		
General reserve	202 805 580	176 882 404
HIV reserve	-	21 433 729
Revaluation reserve	-	7 330 786
Total members' funds as per summarised statement of financial position	202 805 580	205 646 919
Cumulative unrealised gain on investments at fair value	-	(7 330 786)
Accumulated funds	<u>202 805 580</u>	<u>198 316 133</u>
Gross contribution income	343 776 894	330 210 783
Accumulated funds as a percentage of gross contributions	<u>58.99%</u>	<u>60.06%</u>

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2018 (continued)**

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

3.3 Solvency ratio (continued)

The solvency ratios for both 2018 and 2017 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 gross contributions, being R137 510 758 (2017: R132 084 313).

3.4 Reserve accounts

Movements in the reserves are set out in the summarised 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/AIDS treatment. At the Board of Trustees meeting dated 22 November 2017, a decision was taken to stop funding and transfer this reserve to general reserves in 2018, as HIV/AIDS treatment has since become well controlled. The transfer was subsequently processed and an amount of R21 433 729 was transferred to the general reserve.

The Fund adopted IFRS 9 during 2018. As a result thereof, the Fund's investments were classified as financial assets at fair value through profit or loss. The revaluation reserve was reclassified to the general reserve on adoption. Any unrealised gains/losses on the Fund's investments after adoption are disclosed as part of profit or loss.

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

3.5 Outstanding claims provision

The outstanding claims provision is calculated based on historic 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 8 to the Summarised Annual Financial Statements.

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 surplus or deficit.

4. INVESTMENT POLICY OF THE FUND

Prescient Investment Management (Pty) Limited (Prescient), Coronation Life Assurance Company Limited (Coronation) and Allan Gray Life Limited (Allan Gray) are the Fund's appointed investment managers. 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. As at 31 December 2018, the effective equity exposure of the portfolios managed by Coronation and Allan Gray amounted to 42.49% and 45.93% respectively, while the combined total effective equity exposure was 36.60% (2017: 18.39%) of the Fund's invested assets. The increase in the total effective equity exposure is due to the move from Prescient to Allan Gray.

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).

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2018 (continued)**

4. INVESTMENT POLICY OF THE FUND (CONTINUED)

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

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

The Fund's investment strategy is to:

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

5. ACTUARIAL VALUATION

An actuarial valuation is not required for the Fund due to the short-term nature of the Fund's assets and liabilities. The contribution tables set for the Fund are subject to an annual review by actuaries specialising in healthcare to ensure that the Fund remains in a financially sound position. The review of contributions for the 2019 year was set out in a report dated September 2018 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 17 of the Summarised Annual Financial Statements. The following matters are disclosed for information purposes only:

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

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 R8 447 728 (2017: R2 403 692) representing 2.9% (2017: 0.7%) 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 22.3% (2017: 6.2%) of the Extended Option's annual risk contribution income for 2018.

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 81% 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)

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

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

Nature and impact

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

During the 2018 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 2018, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R31 215 (2017: R146 708). This amount represents 0.01% (2017: 0.04%) 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.

Regulation 6 of the Medical Schemes Act – stale claims

Nature and impact

In terms of Regulation 6 of the Medical Schemes Act No 131 of 1998, a claim is defined as stale if it is submitted for the first time for payment after the last day of the end of the fourth month following the date of service (treatment date) as stated in the account or claim. Such claims can be approved in terms of the Fund's stale claims mandate.

System validation checks prevent the processing of claims that fall outside the four-month period as prescribed and mandated by the Fund and regulated by the Medical Schemes Act. The administration system is set up to flag stale claims based on the service date and the date when the claim was received. Any stale claims considered for payment are to be considered based on the Fund's approved stale claims mandate.

The Fund identified claims that were settled after the stale claims period without following the Fund's stale claims mandate.

Cause of failure

The stale claims mandate was not fully applied due to human error.

Corrective action

The Fund's stale claims mandate was reiterated to all relevant staff of the Administrator. The Fund is in the process of investigating the claims and deciding on corrective action.

Section 59(2) and Regulation 6(2) of the Medical Schemes Act – investments

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.

A number of claims were settled outside the 30 day statutory timeframe. These claims were not erroneous or unacceptable for payment.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2018 (continued)**

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

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

Section 59(2) and Regulation 6(2) of the Medical Schemes Act – investments (continued)

Cause of failure

For the majority of claims not paid within 30 days, the claim was approved and scheduled for payment prior to 30 days, however, the next payment run scheduled by the Administrator was only executed after the 30-day statutory timeframe.

Corrective action

The settlement of claims that might fall outside the statutory timeframe was prioritised to ensure future claims received are paid within the 30-day timeframe.

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

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

Nature and impact

Wooltru Healthcare Fund, through Coronation Life Company Assurance Limited, Prescient Investment Management (Pty) Limited and Allan Gray Life Limited, holds investments in participating employers as well as holding companies of medical scheme administrators as at 31 December 2018. This is in contravention of Section 35(8) (a) and (c) of the Act, as the Fund is not allowed to hold shares in the holding company of an administrator or any participating employer. See item 8 below for further detail.

Cause of failure

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

Corrective action

The Fund received an exemption in May 2018 from the Council for Medical Schemes from complying with Section 35(8)(a) and (c), insofar as it relates to investments placed with asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund. The exemption was granted up until May 2019.

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

The Wooltru Healthcare Fund, through the Coronation Pooled Portfolio, the Prescient Positive Return Portfolio and Allan Gray Life Limited, holds the following investments at fair value in participating employers as well as in the holding companies of medical scheme administrators at year-end:

	2018	2017
	R	R
Discovery Holdings Ltd	-	108 424
Liberty Holdings Ltd	-	236 938
MMI Holdings Ltd	1 438 433	508 649
Sanlam Ltd	69 374	149 884
Truworths International Ltd	87 003	91 999
Woolworths Holdings Ltd	1 998 664	657 760
	<u>3 593 474</u>	<u>1 753 654</u>

Refer to note 15 for detailed disclosure in terms of related parties. The Fund obtained an exemption from Section 35(8)(a) and (c) of the Act and is therefore permitted to hold investments in its participating employers and holding companies of medical scheme administrators. Refer to item 7 above for detailed disclosures in terms of non-compliance with the Medical Schemes Act.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2018 (continued)**

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 three occasions during 2018, as follows:

- 27 March
- 15 August
- 31 October.

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

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

During the year under review, the Audit Committee comprised:

Mr D Crisp	Chairperson/Independent non-Trustee	
Ms Z Mowzer	Trustee	
Mr I Thompson	Trustee	
Mr R Smit	Non-Trustee	
Ms T Mlotshwa	Independent Non-Trustee	
Mr R Oosterbaan	Non-Trustee	As from February 2018

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 2018, as follows:

- 31 January
- 24 April
- 14 August
- 30 October.

During the year under review, the Investment Committee comprised:

Ms S Malander	Chairperson/Trustee	
Mr I Thompson	Vice-Chairperson/Trustee	
Mr T Magagula	Trustee	
Ms A Kirsten	Non-Trustee	Resigned July 2018
Ms T Mlotshwa	Independent non-Trustee	
Ms M George	Non-Trustee	As from August 2018

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 2018.

During the year under review, the Disputes Committee comprised:

Ms H Drabbe	Committee member	
Ms A Gale	Committee member	Retired November 2018
Mr P Dyini	Committee member	
Mr M van Buuren	Committee member	As from November 2018

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2018 (continued)**

12. BENEFITS COMMITTEE

A Benefits Committee was established during 2008. The Benefits Committee met seven times during the year 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 2018, as follows:

- 14 March
- 24 April
- 15 May
- 26 June
- 17 July
- 14 August
- 30 October.

During the year under review, the Benefits Committee comprised:

Ms S Malander	Chairperson/Trustee
Mr J Gillman	Vice-Chairperson/Trustee
Mr S Latta	Trustee
Mr C du Plessis	Non-Trustee
Ms H Drabbe	Non-Trustee
Ms T Mlotshwa	Independent non-Trustee

13. CLINICAL COMMITTEE

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

The Clinical Committee met on four occasions during 2018, as follows:

- 30 January
- 2 May
- 21 August
- 13 November.

During the year under review, the Clinical Committee comprised:

Dr A Davidson	Chairperson/Medical Advisor	
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	
Mr F Mbumbwa	Fund actuaries' representative	Resigned February 2018
Mr G Scott	Fund actuaries' representative	As from February 2018

14. EX GRATIA COMMITTEE

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

- 28 February 2018 (2017 meeting delayed)
- 29 November 2018.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2018 (continued)**

14. EX GRATIA COMMITTEE (CONTINUED)

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

Dr A Davidson	Chairperson/Medical Advisor	
Ms J Wolhuter	Fund Manager	
Mr A Hector	Trustee	
Mr J Gillman	Trustee	
Ms H Palekar	Fund Administrator's representative	
Ms H Palekar	Fund Administrator's representative	
Mr F Mbumbwa	Fund actuaries' representative	Resigned February 2018
Ms T Modisi	Fund actuaries' representative	As from February 2018
Ms A Brandes	Fund Administrator's representative	As from February 2018

15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE

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

Trustee/ committee member/Principal Officer	Board Meetings		Audit Committee Meetings		Investment Committee Meetings		Benefits Committee Meetings		Clinical Committee Meetings		Ex-Gratia Committee Meetings		Disputes Committee Meetings	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Number of meetings for the year	5		3		4		7		4		2		0	
Trustees														
Mr B van der Merwe (Chairperson)	5	4	-	-	-	-	-	-	-	-	-	-	-	-
Ms S Malander (Vice-chairperson)	5	4	-	-	4	4	7	7	4	4	-	-	-	-
Mr J Gillman	5	3	-	-	-	-	7	6	-	-	2	1	-	-
Mr A Hector	5	5	-	-	-	-	-	-	4	4	2	2	-	-
Mr S Latta	5	5	-	-	-	-	7	6	-	-	-	-	-	-
Mr T Magagula	5	5	-	-	4	3	-	-	-	-	-	-	-	-
Ms Z Mqolodela	5	4	-	-	-	-	-	-	-	-	-	-	-	-
Ms Z Mowzer	5	5	3	3	-	-	-	-	-	-	-	-	-	-
Mr F du Plessis	5	3	-	-	-	-	-	-	-	-	-	-	-	-
Mr I Thompson	5	4	3	3	4	4	-	-	-	-	-	-	-	-
Principal Officer														
Mr F de Wit	5	5	3	3	4	4	7	7	4	4	2	2	-	-
Committee members														
Ms A Brandes (Clinical/Ex gratia)	-	-	-	-	-	-	-	-	4	4	2	2	-	-
Mr D Crisp (Audit)	-	-	3	3	-	-	-	-	-	-	-	-	-	-
Dr T Davidson (Clinical/Ex gratia)	-	-	-	-	-	-	-	-	4	4	2	2	-	-
Ms H Drabbe (Benefits/Disputes)	-	-	-	-	-	-	7	6	-	-	-	-	-	-
Ms M George (Investment)	-	-	-	-	2	2	-	-	-	-	-	-	-	-

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
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15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE (CONTINUED)

Trustee/ committee member/Principal Officer	Board Meetings		Audit Committee Meetings		Investment Committee Meetings		Benefits Committee Meetings		Clinical Committee Meetings		Ex-Gratia Committee Meetings		Disputes Committee Meetings	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Number of meetings for the year	5		3		4		7		4		2		0	
Dr S Jairam (Clinical)	-	-	-	-	-	-	-	-	4	4	-	-	-	-
Ms A Kirsten (Disputes)	-	-	-	-	3	2	-	-	-	-	-	-	-	-
Mr F Mbumbwa (Clinical/ Ex gratia)	-	-	-	-	-	-	-	-	1	1	1	1	-	-
Mr T Mlotshwa (Audit/Investment/ Benefits)	-	-	3	3	4	4	7	6	-	-	-	-	-	-
Mr T Modisi (Ex gratia)	-	-	-	-	-	-	-	-	-	-	1	1	-	-
Mr R Oosterbaan (Audit)	-	-	3	3	-	-	-	-	-	-	-	-	-	-
Ms H Palekar (Ex gratia)	-	-	-	-	-	-	-	-	-	-	2	1	-	-
Mr C du Plessis (Benefits)	-	-	-	-	-	-	7	5	-	-	-	-	-	-
Mr G Scott (Clinical)	-	-	-	-	-	-	-	-	3	3	-	-	-	-
Mr R Smit (Audit)	-	-	3	2	-	-	-	-	-	-	-	-	-	-
Ms J Wolhuter (Clinical/Ex gratia)	-	-	-	-	-	-	-	-	4	3	2	2	-	-

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

B: Actual number of meetings attended

16. MANAGEMENT OF INSURANCE RISK

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

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

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Notes	2018 R	2017 R
ASSETS			
Non-current assets			
Financial assets at fair value*	11	49 606 932	53 032 387
Current assets			
Trade and other receivables		2 242 227	3 309 525
Financial assets at fair value*	11	130 475 482	125 532 390
Investment of personal medical savings account monies	6	7 274 727	-
Cash and cash equivalents		39 658 566	46 140 032
Total assets		229 257 934	228 014 334
FUNDS AND LIABILITIES			
Members' funds			
General reserve		202 805 280	176 882 404
Revaluation reserve		-	7 330 786
HIV reserve		-	21 433 729
Current liabilities			
Personal medical savings account monies	7	8 669 656	9 177 201
Trade and other payables		2 348 382	13 190 214
Outstanding claims provision	8	15 434 316	-
Total funds and liabilities		229 257 934	228 014 334

*Prior year reported as available-for-sale financial instruments under IAS 39.

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 R	2017 R
Risk contribution income		288 236 671	330 210 783
Relevant healthcare expenditure		(266 226 341)	(305 820 018)
Net claims incurred	9	(264 875 592)	(303 062 862)
Risk claims incurred		(267 492 776)	(303 118 550)
Third-party claim recoveries		2 617 184	55 688
Accredited managed healthcare expenses		(7 273 256)	(7 071 352)
Net income on risk transfer arrangements	10	5 922 507	4 314 196
Premiums paid on risk transfer arrangements		(31 932 807)	(26 701 401)
Recoveries received on risk transfer arrangements		37 855 314	31 015 597
Gross healthcare result		22 010 330	24 390 765
Administration and other expenses		(28 608 426)	(27 955 589)
Expected credit losses on trade and other receivables		(275 838)	(308 020)
Net healthcare result		(6 873 934)	(3 872 844)
Other income		5 138 672	20 754 379
Investment income	12	14 972 846	14 362 195
Net realised losses on financial assets at fair value	13	(209 572)	(1 152 014)
Unrealised losses on financial assets at fair value through profit or loss	11	(9 689 957)	-
Sundry income		65 355	7 544 198
Other expenditure		(1 106 077)	(1 037 356)
Investment management fees		(1 106 077)	(1 037 356)
Net (deficit)/surplus for the year		(2 841 339)	15 844 179
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
Net losses on available-for-sale investments recognised as other income		-	1 152 014
Total comprehensive (deficit)/surplus for the year		(2 841 339)	19 600 399

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2018

	R	R	R	R
	General reserve	Revaluation reserve	HIV reserve	Members' funds
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 to HIV reserve	26 624	-	(26 624)	-
Balance at 1 January 2018	176 882 404	7 330 786	21 433 729	205 646 919
Deficit for the year	(2 841 339)	-	-	(2 841 339)
Transfer from revaluation reserve	7 330 786	(7 330 786)	-	-
Transfer from HIV reserve	21 433 729	-	(21 433 729)	-
Balance at 31 December 2018	202 805 580	-	-	202 805 580

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 2018

	Notes	2018 R	2017 R
(Deficit)/surplus for the year		(2 841 339)	15 844 179
Adjustments for:			
- Interest income on financial assets at fair value*	12	(10 097 281)	(10 051 941)
- Dividend income on financial assets at fair value*	12	(2 810 718)	(1 855 204)
- Interest income on cash and cash equivalents	12	(2 064 847)	(2 455 050)
- Net realised losses on financial assets at fair value*	13	209 572	1 152 014
- Unrealised losses on financial assets at fair value through profit or loss	11	9 689 957	-
- Investment management fees	11	1 106 077	1 037 356
- Expected credit losses on trade and other receivables		<u>275 838</u>	<u>308 020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		(6 532 741)	3 979 374
Decrease in net trade and other receivables		467 170	467 608
(Decrease)/Increase in trade and other payables		(6 828 819)	906 110
Increase in outstanding claims provision		2 244 102	3 753 193
Increase in investment of personal medical savings account monies		(7 274 727)	-
Increase in personal medical savings account monies		8 669 656	-
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(9 255 359)	9 106 285
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on cash and cash equivalents	12	2 064 847	2 455 050
Additions to financial assets at fair value*	11	(116 902 228)	(58 144 076)
Disposals of financial assets at fair value*	11	117 611 274	57 979 521
NET CASH INFLOW FROM INVESTING ACTIVITIES		2 773 893	2 290 495
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6 481 466)	11 396 780
Cash and cash equivalents at beginning of the year		46 140 032	34 743 252
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>39 658 566</u>	<u>46 140 032</u>

*Prior year reported as available-for-sale financial instruments under IAS 39.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2018

1. PRINCIPAL ACCOUNTING POLICIES

The Summarised Annual Financial Statements for the year ended 31 December 2018 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 Annual 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 2018.

Standards adopted in the current year

In the current year, the Fund adopted the following standards and interpretations that are effective for the current financial year and are relevant to its operations:

IFRS 9 financial instruments

This standard includes changes in the measurement basis of the Fund's financial assets to either amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL).

A key consideration for determining if a financial asset is classified as amortised cost, fair value through other comprehensive income or fair value through profit or loss is whether:

- the contractual terms of the financial asset give rise to cash flows of the asset using the 'solely payment of principal and interest' test (SPPI); and
- the business model within which the asset is held (the business model test).

The Fund's non-equity financial assets of trade and other receivables were considered and it is concluded they are held to obtain contractual cash flows and they are all held for the collection of SPPI and as such it is appropriate to classify them as amortised cost financial assets. Cash and cash equivalents are accounted for at amortised cost.

Pooled investment vehicles failed the SPPI test resulting in mandatory classification as fair value through profit or loss financial assets. This is a change from the classification under IAS 39 in terms of which available-for-sale investments were carried at fair value through other comprehensive income.

With IFRS 9, a new method of assessing impairment of financial assets is applied. Under IAS 39, an entity only considered those impairments that arise as a result of 'incurred loss' events. The effects of possible future loss events cannot be considered, even when they are expected whereas the IFRS 9 impairment model has been changed to an 'expected credit loss' (ECL) model. The Fund assessed the nature of receivables and impact of a move to an ECL model. The move to an ECL model did not have a material impact on the Fund, and there is no change in the carrying amounts of financial assets on the basis of their measurement categories as a result of the transition from IAS 39 to IFRS 9. Trade and other receivables, trade and other payables and cash and cash equivalents will continue to be accounted for at amortised cost.

The standard has been applied prospectively. The only impact on the Fund on initial adoption of IFRS 9 has been that available-for-sale investment carried at fair value through other comprehensive income under IAS 39 has been classified as financial assets at fair value through profit or loss under IFRS 9. This has resulted in the revaluation reserve previously carried under IAS 39 being reclassified to the general reserve on the date of adoption of IFRS 9 being 1 January 2018.

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.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2018 (continued)

3. CONTINGENT LIABILITIES

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees and suretyships or alike at 31 December 2018.

4. CONTINGENT ASSETS

At year-end claims amounting to R6 432 979 (2017: R7 966 449) had been lodged with the Road Accident Fund (RAF) relating to past medical expenses already paid, with the potential recovery value of R3 815 795 (2017: R6 612 153). 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. INVESTMENT OF PERSONAL MEDICAL SAVINGS ACCOUNT MONIES

	2018	2017
	R	R
Call account	7 274 727	-

The average interest rate on this call account was 5.20%. In terms of its rules, interest accrues to the Fund and is therefore not allocated to the members' savings accounts.

The mismatch between the personal medical savings account liability and investment relates to timing differences. These differences cleared after year-end.

7. PERSONAL MEDICAL SAVINGS ACCOUNT (PMSA) MONIES

Balance on PMSA liability at the beginning of the year	-	-
Add:	56 132 472	-
PMSA contribution received/receivable for the year	55 540 223	-
PMSA adjustments	592 249	-
Less:	(47 505 117)	-
Claims paid on behalf of members	(47 390 550)	-
Refunds on death or resignations	(114 567)	-
	8 627 355	-
Add: Advances on PMSA at the end of the year	42 301	-
PMSA balance due to members at the end of the year	8 669 656	-

PMSAs were introduced to the Plus Option effective 1 January 2018. In accordance with the rules of the Fund, the personal medical savings is underwritten by the Fund. The funds are invested in a call account, the interest of which accrues to the Fund and is therefore not allocated to the members.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2018 (continued)

7. PERSONAL MEDICAL SAVINGS ACCOUNT (PMSA) MONIES (CONTINUED)

It is estimated that claims to be paid out of PMSAs in respect of claims incurred in 2018 but not recorded will amount to R1 211 808 (2017: Rnil) (refer to note 8). Advances on PMSAs are included in accounts receivable.

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

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

8. OUTSTANDING CLAIMS PROVISION

	2018	2017
	R	R
	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
2018		
Outstanding claims provision	749 391	14 684 925
Provision arising from liability adequacy test	-	-
	<u>749 391</u>	<u>14 684 925</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	1 161 317	12 028 897
Payments in respect of prior year	(1 161 317)	(11 056 155)
Over provision in respect of prior year	-	972 742
Adjustment for current year	749 391	13 712 183
Balance at end of year	<u>749 391</u>	<u>14 684 925</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	15 896 733
Outstanding claims provision relating to risk transfer arrangements	749 391	-
Less: Estimated recoveries from PMSA	-	(1 211 808)
Balance at end of year	<u>749 391</u>	<u>14 684 925</u>
Total outstanding claims provision at end of year		<u>15 434 316</u>
2017		
Outstanding claims provision	1 161 317	12 028 897
Provision arising from liability adequacy test	-	-
	<u>1 161 317</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	(622 131)	(9 766 683)
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>

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2018 (continued)

8. OUTSTANDING CLAIMS PROVISION (CONTINUED)

	2018 R Covered by risk transfer arrangements	2017 R Not covered by risk transfer arrangements
2017 (continued)		
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	12 028 897
Outstanding claims provision relating to risk transfer arrangements	1 161 317	-
Balance at end of year	1 161 317	12 028 897
<i>Total outstanding claims provision at end of year</i>		13 190 214

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

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out monthly. There is more emphasis on current trends.

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

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

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

- changes in processes that affect the development / recording of claims paid and incurred (such as changes in 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 dependants; 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.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2018 (continued)

8. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions (continued)

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

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

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

	2018	2017
Claims outstanding for:	%	%
December	42%	46%
November	9%	12%
October	4%	3%
September	2%	1%
August and prior	1%	0%

Changes in assumptions and sensitivities to changes in key variables

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

An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the Fund's estimation process. The Fund believes that the liability for claims reported in the 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 table below outlines the sensitivity of insured liability estimates to particular movements in assumptions used in the estimation process. It should be noted that this is a deterministic approach with no correlations between the key variables.

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

	Change in liability	Change in liability
	2018	2017
	R	R
Effect of a 1 percentage point change in all the assumed percentages	1 033 147	1 031 082
Effect of a 2 percentage point change in all the assumed percentages	2 088 465	2 061 812
Effect of a 3 percentage point change in all the assumed percentages	3 166 008	3 092 543

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

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2018 (continued)

9. NET CLAIMS INCURRED

	2018	2017
	R	R
Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current year claims per registered rules	263 515 764	259 184 436
Movement in outstanding risk claims provision	13 712 183	12 980 690
- (Over)/under provision in prior years	(972 742)	951 793
- Provision for the current year	14 684 925	12 028 897
	<u>277 227 947</u>	<u>272 165 126</u>
Less:	(47 590 485)	(62 173)
- PMSA claims paid	(47 390 550)	-
- Discount received on claims	(199 935)	(62 173)
	<u>229 637 462</u>	<u>272 102 953</u>

Savings were introduced to the Plus Option effective 1 January 2018. Claims are paid on behalf of the members from their PMSA in terms of Regulation 10(3) and the Fund's registered benefits. Refer to note 7 for a breakdown of the movement in these balances.

Claims incurred in respect of risk transfer arrangements

Current year claims in respect of risk transfer arrangement	37 105 923	29 854 280
Movement in outstanding risk claims provision	749 391	1 161 317
	<u>37 855 314</u>	<u>31 015 597</u>

Third-party claim recoveries

Recoveries from the Road Accident Fund	(2 617 184)	(55 688)
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TOTAL NET CLAIMS INCURRED

<u>264 875 592</u>	<u>303 062 862</u>
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10. NET INCOME ON RISK TRANSFER ARRANGEMENTS

Premiums paid

- MMI Health (Pty) Ltd [Plus and Extended]	12 607 218	11 684 044
- Under provision on prior year risk transfer arrangement profit share	-	6 154
- MMI Health (Pty) Ltd [Core]	18 513 488	14 271 591
- Netcare 911 (Pty) Ltd	812 101	793 612
	<u>31 932 807</u>	<u>26 701 401</u>

Recoveries received

- MMI Health (Pty) Ltd [Plus and Extended]	(13 769 442)	(13 211 489)
- MMI Health (Pty) Ltd [Core]	(22 837 732)	(16 816 355)
- Netcare 911 (Pty) Ltd	(1 248 140)	(987 753)

<u>(5 922 507)</u>	<u>(4 314 196)</u>
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WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2018 (continued)

10. NET INCOME ON RISK TRANSFER ARRANGEMENTS (CONTINUED)

Overview of terms and conditions of risk transfer agreements:

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

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 the Plus and Extended Options.

11. FINANCIAL ASSETS AT FAIR VALUE

	2018	2017
	R	R
Fair value at the beginning of the year	178 564 777	165 009 171
Additions	116 902 228	58 144 076
Disposals	(117 611 274)	(57 979 521)
Unrealised gains on revaluation of available-for-sale investments	-	2 604 206
Realised loss on revaluation of financial assets at fair value	(209 572)	-
Unrealised loss on revaluation of financial assets at fair value	(9 689 957)	-
Investment income on financial assets at fair value	12 907 999	11 907 144
Movement in accrued income	324 290	(82 943)
Investment management fees	<u>(1 106 077)</u>	<u>(1 037 356)</u>
Fair value at the end of the year	<u>180 082 414</u>	<u>178 564 777</u>
Non-current	49 606 932	53 032 387
Current	<u>130 475 482</u>	<u>125 532 390</u>
	<u>180 082 414</u>	<u>178 564 777</u>

In the prior year financial assets at fair value were classified as available-for-sale financial instruments under IAS 39.

The financial assets at fair value through profit or loss are pooled portfolios with Coronation Life Assurance Company Limited and Allan Gray Life Limited. The Fund changed investment managers from Prescient Investment Management (Pty) Ltd to Allan Gray Life Limited during May 2018. The portfolios comprise the following assets:

Bonds	47 641 543	72 627 920
Equity	80 416 025	41 316 107
Money-market instruments	<u>52 024 846</u>	<u>64 620 750</u>
	<u>180 082 414</u>	<u>178 564 777</u>

The investments included above are administered by Allan Gray Life Limited and Coronation Life Assurance Company Limited. The fair values of these investments are based on market value at reporting date.

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

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2018 (continued)

12. INVESTMENT INCOME

	2018	2017
	R	R
Interest income on financial assets at fair value	10 097 281	10 051 941
Real Estate Investment Trust distribution income on financial assets at fair value	238 759	-
Dividend income on financial assets at fair value	2 571 959	1 855 204
Interest income on cash and cash equivalents	2 064 847	2 455 050
	<u>14 972 846</u>	<u>14 362 195</u>

13. NET REALISED LOSSES ON FINANCIAL ASSETS AT FAIR VALUE

Realised gains on financial assets at fair value	874 339	9 913 330
Realised losses on financial assets at fair value	(1 083 911)	(11 065 344)
	<u>(209 572)</u>	<u>(1 152 014)</u>

14. SURPLUS/(DEFICIT) PER BENEFIT OPTION

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

2018	CORE	PLUS	EXTENDED	TOTAL
	R	R	R	R
Risk contribution income	21 586 125	228 743 057	37 907 489	288 236 671
Relevant healthcare expenditure	(18 513 488)	(202 756 101)	(44 956 752)	(266 226 341)
Net claims incurred	(22 974 687)	(197 806 007)	(46 712 082)	(267 492 776)
Third-party claim recoveries	-	2 459 430	157 754	2 617 184
Managed care: management services	-	(6 836 058)	(437 198)	(7 273 256)
Net income/(expense) on risk transfer arrangements	4 461 199	(573 466)	2 034 774	5 922 507
Gross healthcare result	3 072 637	25 986 956	(7 049 263)	22 010 330
Administrative expenses	(2 240 486)	(24 775 440)	(1 592 500)	(28 608 426)
Impairment losses on trade and other receivables	(32 592)	(229 492)	(13 754)	(275 838)
Net healthcare result	799 559	982 024	(8 655 517)	(6 873 934)
Other income	695 447	4 178 443	264 782	5 138 672
Investment income	2 026 366	12 174 967	771 513	14 972 846
Net realised losses on financial assets at fair value	(28 363)	(170 410)	(10 799)	(209 572)
Unrealised losses on financial assets at fair value through profit or loss	(1 311 401)	(7 879 257)	(499 299)	(9 689 957)
Sundry income	8 845	53 143	3 367	65 355

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2018 (continued)

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

2018 (continued)	CORE	PLUS	EXTENDED	TOTAL
	R	R	R	R
Other expenditure	(149 692)	(899 392)	(56 993)	(1 106 077)
Investment management fees	(149 692)	(899 392)	(56 993)	(1 106 077)
Surplus/(deficit) for the year	1 345 314	4 261 075	(8 447 728)	(2 841 339)
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
2017 (continued)	CORE	PLUS	EXTENDED	TOTAL
	R	R	R	R
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 losses 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

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.

15. 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.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2018 (continued)

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Related party relationships (continued):

Parties with significant influence over the Fund (continued)

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

NMG Consultants and Actuaries (Pty) Ltd (Willis Towers Watson (Pty) Ltd until 7 February 2018) 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.

Prescient Investment Management (Pty) Ltd (Prescient) had 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.

Coronation Life Assurance Company 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.

Allan Gray Life Ltd has significant influence over the Wooltru Healthcare Fund, as it manages the Fund's investments which comprise a material portion of the Fund's total assets.

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

Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund. Key management personnel include the Board of Trustees, the Principal Officer and members of various committees. 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

	2018	2017
	R	R
<i>Compensation</i>		
Principal Officer's fees	795 260	850 000
Remuneration	790 500	850 000
Statutory payments made by the Fund	4 760	-
Contribution toward Fund Manager's remuneration (all relating to short-term employee benefits)	378 865	365 160
Medical Advisor's fees	601 116	570 324
Trustee remuneration and independent committee members' fees	155 429	136 120
	<u>1 930 670</u>	<u>1 921 604</u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2018 (continued)

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Statement of comprehensive income

	2018	2017
	R	R
Risk contributions received	650 772	607 200
Claims incurred	451 879	374 988
Catering fees Woolworths (Pty) Ltd	17 491	16 883

Statement of financial position

Investments in participating employers of members		
Truworths International Ltd	87 003	91 999
Woolworths Holdings Ltd	1 998 664	657 760
Contribution toward Fund Manager's remuneration (all relating to short-term employee benefits)	32 585	-

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

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

Other transactions

Transactions with entities that have significant influence over the Fund

	2018	2017
	R	R
Statement of comprehensive income		
Administration fees paid to MMI Health (Pty) Ltd	23 461 513	22 957 035
Managed healthcare fees and capitation premiums paid to MMI Health (Pty) Ltd	38 393 962	32 972 987
Refund of administration fees	-	(7 534 128)
Claims recoveries from MMI Health (Pty) Ltd	(36 607 174)	(30 027 844)
Under provision on prior year risk transfer arrangement profit share	-	6 154
Investment management fees paid to Prescient, Coronation and Allan Gray	1 106 077	1 037 356
Actuarial fees paid to Willis Towers Watson (Pty) Ltd	115 733	1 317 658
Actuarial fees paid to NMG Consultants and Actuaries (Pty) Ltd	1 282 197	-
Summarised statement of financial position		
Claims recoveries due	156 661	156 460
Investments in the holding company of the administrator	1 438 433	508 649

15. RELATED PARTY TRANSACTIONS (CONTINUED)

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 Coronation Life Assurance Company Limited and Allan Gray Life Limited contracts

The investment management contract with Coronation Life Assurance Company Limited and Allan Gray Life Limited is in accordance with instructions given by the Trustees of the Fund. These agreements are reviewed annually and are renewable depending on fee negotiations, unless notification of termination is received. The Fund has the right to terminate the agreements on 30 days' notice. Fees are calculated on an arm's length basis on market-related terms.

Terms and conditions of the actuarial and investment consulting agreement

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

16. FINANCIAL RISK MANAGEMENT

Fair value estimation

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

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

Fair values of financial assets by hierarchy level

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

The classification of bonds and money-market instruments has been re-assessed in the current financial year as level 2 instruments. This is based on an assessment by the Trustees in the current financial year as it more accurately reflects the nature of the instruments on a look-through basis at year-end.

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

The table overleaf categorises the available-for-sale investments, measured at fair value, into three hierarchy levels:

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2018 (continued)

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values of financial assets by hierarchy level (continued)

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:

Level 1:

Quoted prices in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.

Level 2:

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3:

Inputs for the asset or liability that are not based on observable market data.

2018	Level 1	Level 2	Level 3	Total
	R	R	R	R
Fair value through profit or loss				
Money-market instruments	-	52 024 846	-	52 024 846
Equity instruments	80 416 025	-	-	80 416 025
Bonds	-	47 641 543	-	47 641 543
	80 416 025	99 666 389	-	180 082 414

2017	Level 1	Level 2	Level 3	Total
	R	R	R	R
Available-for-sale investments				
Money-market instruments	64 620 750	-	-	64 620 750
Equity instruments	41 316 107	-	-	41 316 107
Bonds	72 627 920	-	-	72 627 920
	178 564 777	-	-	178 564 777

17. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 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. The following matters are accordingly disclosed:

17.1 NON-COMPLIANCE FOR WHICH THE FUND HAS NOT RECEIVED EXEMPTIONS

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 R8 447 728 (2017: R2 403 692) representing 2.9% (2017: 0.7%) 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 22.3% (2017: 6.2%) of the Extended Option's annual risk contribution income for 2018.

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

17.1 NON-COMPLIANCE FOR WHICH THE FUND HAS NOT RECEIVED EXEMPTIONS
(CONTINUED)

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

Corrective action

The Trustees continue to review the financial position of the Extended Option and have considered closing it, but this would place a burden on the rest of the Fund and could mean that the Plus Option members, who comprise 81% of the Fund membership, would have to absorb higher contribution increases in future. It is thus in the interest of the Plus Option members to keep the Extended Option available. The Trustees are satisfied that as a whole the Fund is financially sound.

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

Nature and impact

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

During the 2018 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 2018, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R31 215 (2017: R146 708). This amount represents 0.01% (2017: 0.04%) 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.

Regulation 6 of the Medical Schemes Act – stale claims

Nature and impact

In terms of Regulation 6 of the Medical Schemes Act No 131 of 1998, a claim is defined as stale if it is submitted for the first time for payment after the last day of the end of the fourth month following the date of service (treatment date) as stated in the account or claim. Such claims can be approved in terms of the Fund's stale claims mandate.

System validation checks prevent the processing of claims that fall outside the four-month period as prescribed and mandated by the Fund and regulated by the Medical Schemes Act. The administration system is set up to flag stale claims based on the service date and the date when the claim was received. Any stale claims considered for payment, are to be considered based on the Fund's approved stale claims mandate.

The Fund identified claims that were settled after the stale claims period without following the Fund's stale claims mandate.

Cause of failure

The stale claims mandate was not fully applied due to human error.

Corrective action

The Fund's stale claims mandate was reiterated to all relevant staff of the Administrator. The Fund is in the process of investigating the claims and deciding on corrective action.

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

17.1 NON-COMPLIANCE FOR WHICH THE FUND HAS NOT RECEIVED EXEMPTIONS
(CONTINUED)

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.

A number of claims were settled outside the 30-day statutory timeframe. These claims were not erroneous or unacceptable for payment.

Cause of failure

For the majority of claims not paid within 30 days, the claim was approved and scheduled for payment prior to 30 days, however, the next payment run scheduled by the Administrator was only executed after the 30-day statutory timeframe.

Corrective action

The settlement of claims that might fall outside the statutory timeframe was prioritised to ensure future claims received are paid within the 30-day timeframe.

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

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

Nature and impact

Wooltru Healthcare Fund, through Coronation Life Company Assurance Limited, Prescient Investment Management (Pty) Limited and Allan Gray Life Limited, holds investments in participating employers as well as holding companies of medical scheme administrators as at 31 December 2018. 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 May 2018 from the Council for Medical Schemes from complying with Section 35(8)(a) and (c), insofar as it relates to investments placed with asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund. The exemption was granted up until May 2019.

WOOLTRU HEALTHCARE FUND REMUNERATION POLICY

1. INTRODUCTION

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

2. REMUNERATION ELIGIBILITY

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

3. REMUNERATION POLICY

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

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

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

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

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

4. REMUNERATION

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

5. REMUNERATION REVIEW

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

6. ANNUAL GENERAL MEETING

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

Signed on behalf of the Wooltru Healthcare Fund's Board of Trustees at the Annual General Meeting held on 26 June 2019.

Chairperson of the Board of Trustees

Trustee

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

ANNEXURE 1

2019 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 602 per meeting
Independent Chairperson – Audit Committee	R11 518 per meeting
Independent member – Audit Committee, Benefits Committee and Investments Committee	R22 197 retainer fee per quarter

Signed on behalf of the Wooltru Healthcare Fund's Board of Trustees at the Annual General Meeting held on 26 June 2019.

Chairperson of the Board of Trustees

Trustee

