



NOTICE IS HEREBY GIVEN THAT THE FORTY-SEVENTH ANNUAL GENERAL MEETING OF WOOLTRU HEALTHCARE FUND WILL BE HELD IN THE AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 25 JUNE 2013 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 26 June 2012
4. To adopt the annual report of the Board for the year ended 31 December 2012
5. To adopt the financial statements for the year ended 31 December 2012
6. To adopt the report of the auditors for the year ended 31 December 2012
7. To appoint the auditors for the ensuing year
8. General

By order of the Board

KEITH TITLEY
PRINCIPAL OFFICER

MINUTES OF THE FORTY-SIXTH 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, 26 JUNE 2012 AT 14:00

- **Present:** 34 members represented in person and 6 proxies received
- **Chairperson:** Ms Z Rylands
- **Principal Officer:** Mr K Titley
- **Apologies:** Dr Davidson, Mr Scott

1. CHAIRPERSON'S WELCOME

The Chairperson opened the meeting and welcomed those present.

A special word of welcome was extended to Mr Mbumbwa of Towers Watson, the Fund's Actuaries, and the representatives of Metropolitan Health Group (Pty) Ltd, the Fund's Administrators.

There being a quorum present (minimum 15 members), the Chairperson confirmed that the meeting was duly constituted.

2. NOTICE OF THE MEETING

The notice convening the Annual General Meeting, which was confirmed as having been circulated timeously to all members, was taken as read.

3. CONFIRMATION OF MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 7 JUNE 2011

Mr P Bazlinton proposed that the minutes of the 2011 Annual General Meeting be approved and adopted.

Mr S Malander seconded the proposal, which was then unanimously adopted.

The minutes of the forty-fifth Annual General Meeting held on 7 June 2011 were signed as a true record of the proceedings.

4. REPORT OF THE BOARD OF TRUSTEES (BOT) FOR THE YEAR ENDED 31 DECEMBER 2011

The annual report of the BOT for the year ended 31 December 2011 having been circulated, was presented to the meeting.

5. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

The Annual Financial Statements for the year ended 31 December 2011, having been circulated, were presented to the meeting.

The Chairperson expressed a vote of thanks to the Audit Committee for their work in reviewing the Annual Financial Statements and for recommending the adoption of the Annual Financial Statements by the Trustees.

6. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2011

The report of the independent auditors to the members of the Fund, having been circulated, was presented to the meeting.

Ms J Foedoerovna proposed that the audited financial statements, the report of the Trustees, and the report of the auditors for the year ended 31 December 2011 be approved and adopted.

Mr B Tate seconded the proposal, which was then unanimously adopted.

7. APPOINTMENT OF THE AUDITORS FOR THE ENSUING YEAR

The Trustees' proposal that the Fund renew the appointment of Ernst & Young Inc. as the external auditors to the Fund for the financial year ending 31 December 2012 was presented to the meeting.

Mr N Hlengwa proposed that the appointment of Ernst & Young Inc. as the external auditors to the Fund for the financial year ending 31 December 2012 be approved and adopted.

S Malander seconded the proposal, which was unanimously adopted.

MINUTES OF THE FORTY-SIXTH 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, 26 JUNE 2012 AT 14:00 (CONTINUED)

8. RATIFICATION OF MEMBER-ELECTED TRUSTEES

The appointment of the following member-elected Trustees in terms of the Fund's rule 18.1, was presented for ratification:

- Mr B Tate (Truworths Member Elected Trustee)
- Mr N Hlengwa (Truworths Member Elected Trustee)
- Mr J Gillman (Retiree Elected Trustee)

The Chairperson welcomed Mr J Gillman as the new Retiree Elected Trustee, and congratulated Mr B Tate and Mr N Hlengwa on their re-election as Member Elected Trustees. The Chairperson extended a special vote of thanks to Mr Bazlinton for his contribution to the Fund as Retiree Elected Trustee over the past six years.

9. GENERAL

No general items were raised for discussion.

10. CLOSURE OF MEETING

The Chairperson thanked the Principal Officer, the Fund Manager, the Trustees and the Fund's service providers for their contribution to the Fund over the past year.

There being no further questions from the floor and no further business to discuss, the Chairperson declared the meeting closed at 14:12.

APPROVED AND SIGNED THIS _____ DAY OF _____

CHAIRPERSON

PRINCIPAL OFFICER

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
for the year ended 31 December 2012**

CHAIRPERSON'S REVIEW

As Chairperson of the Board of Trustees (BOT) of the Fund, I have pleasure in presenting the Board's report for the year ended 31 December 2012.

The Fund's net healthcare surplus (before investment income) for the year amounted to R0.4 million (2011: R1.7 million). The Core option ended the year on a near break-even position, while the Plus option yielded a net healthcare surplus of R3.9 million (2011: R6.5 million), and the Extended option ended with a net healthcare deficit of R3.4 million (2011: R5.0 million deficit). Net investment returns yielded R14.6 million for the year, resulting in an overall surplus for the year of R15.0 million (2011: R9.3 million). The Fund's solvency ratio as at 31 December 2012 was 79.1% (2010: 78.1%).

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

- to maintain the general reserve at 40% of annual contributions (the statutory minimum is 25%);
- to maintain the level of the HIV/AIDS reserve in line with the HIV actuarial risk assessments undertaken on behalf of the Fund by Towers Watson (the Fund's actuaries and consultants) from time to time;
- to utilise annual investment growth in excess of the consumer price index (CPI) plus 2% to subsidise the operations of the Fund and thereby effectively subsidise member contributions; and
- to regard the balance of the general reserve as a surplus asset reserve to be utilised to cushion the impact of anticipated, continuing operating deficits over a rolling 10-year period. This strategy is designed to protect members from the need to impose sudden high contribution increases where an above average deficit is experienced in any one year.

At 31 December 2012, the Fund's reserve position was as follows:

	2012		2011	
	R'millions		R'millions	
General reserve	87.3	40.0%	80.8	40.0%
HIV reserve	17.5	8.0%	16.1	8.0%
Surplus asset reserve	<u>68.0</u>	<u>31.1%</u>	<u>60.8</u>	<u>30.1%</u>
Total members' funds	<u>172.8</u>		<u>157.7</u>	
Solvency ratio at year end (%of annual contributions)		<u>79.1%</u>		<u>78.1%</u>

Contributions were increased on average, by, 5.0%, 6.0% and 8.0% for the Core, Plus and Extended options respectively, with effect from 1 January 2013.

The Board remains confident that the Fund remains financially sound and is well positioned to meet its future challenges.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
for the year ended 31 December 2012 (continued)**

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

1. GOVERNANCE

The Fund's management and service providers as at 31 December 2012:

1.1 Board of Trustees (BOT)

Employer appointed	Member elected
Z Rylands (Chairperson)	J Gillman (Retiree representative)
C Durham	N Hlengwa
S Malander	M Sacks
S Pillay	B Tate
R Buddle	J Foedoerovna

Mr P Bazlinton resigned as the Retiree Representative and was replaced by Mr J Gillman at the 2012 AGM. On behalf of the Board and the Fund, I would like to once again extend a vote of thanks to Mr Bazlinton for his many years of service to both the Fund and the retiree members.

1.2 Fund Committees

Audit Committee: Chairperson: Mr E Rood (Independent)
Benefits Committee: Chairperson: Ms S Malander (Trustee)
Investment Committee: Chairperson: Mr P Wannenburg (Unison)
Disputes Committee: Ms H Drabbe (Truworths), Ms A Gale (Woolworths), Ms Sishuba-Mashego (Woolworths)

1.3 Fund Officers

Principal Officer: Mr K Titley (Independent)
Medical Advisor: Dr A Davidson (Independent)
Fund Manager: Ms J Wolhuter (Woolworths)

1.4 Service Providers

Actuaries, consultants and investment advisors: Towers Watson (Pty) Ltd
Administrator: Metropolitan Health Corporate (Pty) Ltd
Asset manager: Prescient Investment Management Ltd
Auditors: Ernst & Young Inc
Emergency evacuation: Netcare 911(Pty) Ltd
Managed Care: Metropolitan Health Risk Management (Pty) Ltd
Multiply Wellness Program: Momentum Interactive (Pty) Ltd
Network and Designated Service Provider: CareCross Health (Pty) Ltd

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
for the year ended 31 December 2012 (continued)**

2. DESCRIPTION OF SCHEME

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 in the extent of hospital cover and day-to-day cover in respect of general practitioner visits, acute medication, dental care, optical and other health services.

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

The **Plus option** provides members with an annual medical allowance from which to fund day-to-day benefits. The members are responsible for managing their own day-to-day expenses within the annual amounts allocated. Non-Prescribed Minimum Benefit (PMB) hospital benefits are limited to 100% of NHRPL and are subject to an up-front admission fee, except in the case of emergency or PMB admissions. PMBs must be obtained via a Designated Service Provider (DSP) to ensure full cover of costs incurred.

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

3. INVESTMENT POLICY OF THE FUND

The BOT has continued to invest funds in line with the requirements of the Act, 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. The Fund's investments have been managed by Prescient Investment Management (Pty) Ltd (Prescient) since May 2002 and have achieved an annualised return of 13.6% per annum (against inflation of 6%) since inception. The Fund's investment portfolio achieved an annual return of 11.5% for the financial year against the inflation rate of 5.7%, which is above the Fund's upper target level of CPI + 5%. Prescient's investment mandate is to generate real returns over time, while at the same time protecting the portfolio from downside risk (i.e. capital protection) so that 95% of the capital is protected over any calendar year.

The Trustees are advised by Towers Watson, who provide investment consulting services to the Fund, and who monitor the returns from Prescient against a basket of asset managers who invest assets for other medical schemes.

During the year, the Investment Committee reviewed a number of alternative investment options available to the Fund, and recommended that the Fund split its investible assets into two separate investment portfolios to be managed by different asset managers. Following presentations to the Board, it was agreed that, with effect from January 2013:

- the General Reserve, comprising 40% of gross annualised contributions would continue to be invested with Prescient within their current risk constrained mandate that avoids the likelihood of achieving a negative return of more than 5% over any calendar year. This more conservative absolute return strategy is necessary to protect those assets required to meet the liquidity needs of the Fund;
- the balance of the Fund's investible assets to be placed with Coronation with a balanced investment mandate with no specific risk constraint. This portfolio will perform differently to the absolute return strategy above, and should offer the Fund superior returns over the longer term.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
for the year ended 31 December 2012 (continued)**

4. REVIEW OF THE YEAR'S ACTIVITIES

4.1 Operational activities

	2012	2011	% on PY
Number of members at year end	8,758	8,946	-2.10%
Average number of members for the year	8,876	8,888	-0.14%
Average contribution per member per month	2,050	1,895	8.18%
Average claims incurred per member per month	1,832	1,674	9.44%
Beneficiaries per member at 31 December	2.03	2.05	-0.98%
Average age of beneficiaries	29	30	-3.33%
Pensioner ratio	16.18%	14.11%	14.67%
Administration costs per member per month	184	176	4.55%
Claims as a percentage of net contributions	89.36%	88.36%	1.13%
Administration expenses as a percentage of net contributions	8.96%	9.28%	-3.45%
Accumulated funds ratio (solvency margin) at year end	79.12%	78.05%	-1.37%

4.2 Financial results

The financial results of the Fund are set out in the Annual Financial Statements and in the summaries attached hereto. Copies of the Annual Financial Statements are available from the Fund's Administrator upon written request.

4.3 Net healthcare result per option

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

	2012	2011
	R'000	R'000
Core	(37)	166
Plus	3,878	6,542
Extended	(3,395)	(4,958)
Total Fund surplus	446	1,750

The draft Medical Schemes Amendment Bill will, if approved, remove the current requirement that each benefit option must be self-funding and require instead that each option will not jeopardise the financial soundness of the medical scheme as a whole or any existing benefit options within the medical scheme.

Although the Fund incurred an operational deficit on the Extended option for 2012, the surplus returns on the Core and Plus options, together with the investment income earned over the year, ensured that the Fund remains in an overall financially sound position, as has been the case for many years.

4.4 Reserves

See page 4.

4.5 Outstanding claims

Movements in the outstanding claims provision are set out in the Balance Sheet. There have been no unusual movements that the Trustees believe should be brought to members' attention.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
for the year ended 31 December 2012 (continued)**

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 2012, detailing the benefits and contributions for 2013. In addition, members are encouraged to regularly visit the Fund's website (www.wooltruhealthcarefund.co.za), hosted by the Administrator, for information relating to the rules of the Fund and other pertinent information.

6. HIV/AIDS PROGRAMME

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

7. INTEREST IN THE ADMINISTRATOR

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 Audit Committee is mandated by the BOT by means of written terms of reference as to its membership, authority and duties. This committee meets on a regular basis and assists the BOT in carrying out its duties relating to the Fund's accounting policies, internal control systems, financial reporting practices and other auditing purposes.

The Audit Committee responsible for reviewing the 2012 audit and Annual Financial Statements was:

- E Rood	Chairperson (Independent)
- D Crisp	(Independent)
- Z Ganie	(Non-trustee)
- P Wannenburg	(Non-trustee)
- C Durham	(Trustee)
- R Buddle	(Trustee)

9. CONTRIBUTION INCREASES AND BENEFIT REVIEW

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

10. MULTIPLY WELLNESS PROGRAMME

The Multiply Wellness Programme was introduced to the Fund in 2012 in order to incentivise members to take a more active role in their own and their beneficiaries' general health. The overall purpose of Multiply is to provide participants with comprehensive tools, information and incentives to improve their wellbeing and get rewarded for doing so. Members are encouraged to register for the free Base Multiply programme which provides annual health assessments at participating pharmacies and on-line wellness profiling. Members may then voluntarily sign up for the Full Multiply programme which offers discounted gym and fitness assessments, as well as a range of discounts and special offers from participating partners. Details are available on-line at www.multiply.co.za.

11. INDUSTRY DEVELOPMENTS

The proposed introduction of a National Health Insurance (NHI) system for South Africa is progressing slowly. There are, however, no definitive proposals requiring action at this stage.

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 remain close to the action and are well placed to provide the Fund with regular updates on developments within the industry.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
for the year ended 31 December 2012 (continued)**

12. VOTE OF APPRECIATION

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

13. CONCLUSION

The Wooltru Healthcare Fund remains strong and financially sound, and the Trustees are confident that the Fund will continue to serve its members' needs despite the uncertainty in the ever-changing South African healthcare environment.

We wish our members good health for 2013!

Zyda Rylands
Chairperson

May 2013

**WOOLTRU HEALTHCARE FUND
SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2012**

**REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARISED FINANCIAL STATEMENTS
to the members of Wooltru Healthcare Fund**

The accompanying summary financial statements, which comprise the summarised statement of financial position as at 31 December 2012, the summarised statement of comprehensive income, summarised statement of changes in funds and reserves and summarised statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of the Wooltru Healthcare Fund for the year ended 31 December 2012. We expressed an unmodified audit opinion on those financial statements in our report dated 14 May 2013. Those financial statements and the summarised financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards, as applied in the preparation of the audited financial statements of Wooltru Healthcare Fund. Reading the summarised financial statements, therefore, is not a substitute for reading the audited financial statements of Wooltru Healthcare Fund.

Trustees' responsibility for the summary financial statements

The Trustees are responsible for the preparation of the summary of the audited financial statements in accordance with IAS 34 Interim Financial Reporting and Circular 38 of 2007 issued by the Council for Medical Schemes.

Auditor's responsibility

Our responsibility is to express an opinion on the summarised financial statements based on our procedures, which were conducted in accordance with the International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summarised financial statements derived from the audited financial statements of Wooltru Healthcare Fund for the year ended 31 December 2012 are consistent, in all material respects, with those financial statements, in accordance with IAS 34 Interim Financial Reporting and Circular 38 of 2007 issued by the Council for Medical Schemes.



Ernst & Young Inc.

Director: Pierre du Plessis
Registered Auditor
Chartered Accountant (SA)

Cape Town
23 May 2013

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2012**

The Board of Trustees (BOT) hereby presents its report for the year ended 31 December 2012.

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

1. MANAGEMENT

1.1 Board of Trustees (BOT)

Mr P Bazlinton (Retiree representative) retired in May 2012. The names of the Trustees in office as at 31 December 2012 are as follows:

Employer-appointed Trustees

Mr R Buddle
Mr C Durham
Ms S Malander
Mr S Pillay
Ms Z Rylands (Chairperson)

Member-elected Trustees

Ms J Foedoerovna
Mr J Gillman (Retiree representative) (Elected June 2012)
Mr N Hlengwa
Ms M Sacks
Mr B Tate

1.2 Principal Officer

Mr K Titley

Physical address

15 Croft Road
Constantia
7806

Postal address

PO Box 50345
Waterfront
8002

1.3 Registered office address

Business address

Wooltru Healthcare Fund
Town Square
61 St George's Mall
Cape Town
8001

Postal address

Wooltru Healthcare Fund
PO Box 15403
Vlaeberg
8018

Country of registration and domicile: South Africa

1.4 Scheme administrator: Metropolitan Health Corporate (Pty) Ltd

Business address

Town Square
61 St George's Mall
Cape Town
8001

Postal address

PO Box 4313
Cape Town
8000

Accreditation number: 17

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2012 (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

1.6 Principal participating employers

- Woolworths Holdings Ltd
- Truworths International Ltd
- Unison Risk Management Alliance (Pty) Ltd

1.7 Auditors: Ernst & Young Inc.

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

1.8 Actuaries: Towers Watson (Pty) Ltd

Business address	Postal address
Great Westerford Building 2nd Floor, Suite 2, South Wing 240 Main Road Rondebosch 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 Wooltru Group. 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.

2.3 Risk transfer arrangements

During 2012 the Fund re-entered into risk transfer arrangements with CareCross Health (Pty) Ltd, Metropolitan Health Risk Management (Pty) Ltd and Netcare 911 (Pty) Ltd.

The CareCross Health arrangement provides all healthcare benefits for beneficiaries registered on the Core option via specialist and general practitioner networks.

WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2012 (continued)

2. DESCRIPTION OF THE FUND (CONTINUED)

2.3 Risk transfer arrangements (continued)

The Metropolitan Health Risk Management arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended options. This agreement includes a profit sharing arrangement whereby the Fund is entitled to 65% of the risk transfer profits in excess of 5% of the annual capitation premiums. The Fund does not participate in a loss. This agreement has been effective from 1 January 2010. For the year ended 31 December 2012 an amount of R781,269 (2011: R847,875) was provided for as the profit allocation from this agreement. Refer to Note 8 of the summarised financial statements.

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

2.4 Changes in operating environment

There have been no significant changes in the Fund's operating environment during 2012.

3. REVIEW OF THE YEAR'S ACTIVITIES

3.1 Operational activities

2012

	Core	Plus	Extended	Total
Number of members at year end	569	7,358	831	8,758
Number of beneficiaries at year end	956	14,987	1,804	17,747
Average number of members for the year	561	7,468	847	8,876
Average number of beneficiaries for the year	980	15,300	1,824	18,104
Number of new members	133	957	21	1,111
Number of members leaving	153	1,054	92	1,299
Dependants to member ratio at year end	0.68	1.04	1.17	1.03
Average age of beneficiaries for the year	30	28	40	29
Pensioner ratio (%)	19.86	12.91	42.60	16.18
Net contributions per average member per month (R)	1,105	1,924	3,786	2,050
Net contributions per average beneficiary per month (R)	633	939	1,758	1,005
Relevant healthcare expenditure as a percentage of gross contributions (%)	89.80	86.30	102.98	89.36
Relevant healthcare expenditure per average member per month (R)	993	1,661	3,899	1,832
Relevant healthcare expenditure per average beneficiary per month (R)	568	811	1,810	898
Amounts paid to Administrator (R)	534,564	13,359,455	1,522,156	15,461,175
Average administration cost per member per month (R)				184
Average administration cost per beneficiary per month (R)				90
Administration cost as a percentage of net contributions (%)	10.69	9.78	4.99	8.96
Average managed care expense per member per month (R)	-	32	32	30
Average managed care expense per beneficiary per month (R)	-	16	15	15
Non-healthcare expenditure as a percentage of contributions (%)	10.71	11.45	5.84	10.43
Accumulated funds per member at 31 December (R)				19,725
Return on investments as a percentage of investments (%)				7.61

WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2012 (continued)

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

3.1 Operational activities (continued)

2011

	Core	Plus	Extended	Total
Number of members at year end	589	7,455	902	8,946
Number of beneficiaries at year end	1,051	15,275	1,936	18,262
Average number of members for the year	576	7,391	921	8,888
Average number of beneficiaries for the year	1,029	15,169	1,978	18,176
Number of new members	89	928	23	1,040
Number of members leaving	126	753	73	952
Dependants to member ratio at year end	0.78	1.05	1.15	1.04
Average age of beneficiaries for the year	31	29	39	30
Pensioner ratio (%)	19.02	10.62	39.69	14.11
Net contributions per average member per month (R)	1,077	1,775	3,368	1,895
Net contributions per average beneficiary per month (R)	603	865	1,568	927
Relevant healthcare expenditure as a percentage of gross contributions (%)	87.47	83.98	107.07	88.36
Relevant healthcare expenditure per average member per month (R)	942	1,491	3,606	1,674
Relevant healthcare expenditure per average beneficiary per month (R)	527	726	1,679	819
Amounts paid to Administrator (R)	549,541	13,204,277	1,644,599	15,398,417
Average administration cost per member per month (R)				176
Average administration cost per beneficiary per month (R)				86
Administration cost as a percentage of net contributions (%)	10.30	10.16	5.35	9.28
Average managed care expense per member per month (R)	-	30	30	28
Average managed care expense per beneficiary per month (R)	-	15	14	14
Non-healthcare expenditure as a percentage of contributions (%)	10.30	11.86	6.25	10.77
Accumulated funds per member at 31 December (R)				17,632
Return on investments as a percentage of investments (%)				5.42

3.2 Financial results

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

3.3 Solvency ratio

	2012	2011
	R	R
The solvency ratio is calculated on the following basis:		
General reserve	155,291,695	141,671,467
HIV reserve	17,462,452	16,061,028
Revaluation reserve	8,290,847	5,374,626
Total members' funds as per statement of financial position	181,044,994	163,107,121

WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2012 (continued)

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

3.3 Solvency ratio (continued)

	2012	2011
	R	R
Less: Revaluation reserve	(8,290,847)	(5,374,626)
Accumulated funds	<u>172,754,147</u>	<u>157,732,495</u>
Contribution income per statement of comprehensive income	218,353,886	202,094,716
Accumulated funds/gross contribution income x 100	<u>79.12%</u>	<u>78.05%</u>

The solvency ratios for both 2012 and 2011 reflected above were calculated using accumulated funds (including the HIV reserve) as required by the CMS. The minimum solvency ratio required by the CMS is 25%. At the BOT meeting dated 26 August 2003, a decision was taken to maintain a general reserve of not less than 40% of annualised contributions.

3.4 Reserve accounts

Movements in the reserves are set out in the statement of changes in funds and reserves on page 23.

The HIV reserve is actuarially reviewed every three years and records funding set aside for current and potential future claims related to HIV and AIDS treatment.

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

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

3.5 Outstanding claims provision

The outstanding claims provision is calculated based on historic claim trends and patterns, and the method of calculation is consistent with that of previous years. Movements on the outstanding claims provision are set out in Note 6 to the summarised financial statements on pages 26 to 28.

4. INVESTMENT POLICY OF THE FUND

The Fund invests funds in compliance with the requirements of the Act. Prescient Investment Management (Pty) Ltd (Prescient) is the Fund's appointed investment manager. In December 2009, the Trustees approved an updated mandate, increasing the maximum allowable effective exposure to equities from 40% to 50% of the total amount invested. Although this is higher than the 40% stipulated by the Act, permission was granted for up to 60% equity exposure by the CMS. As at 31 December 2012, the total equity exposure amounted to 39.4% (2011: 23.9%) of the total amount invested.

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 2012 (continued)**

4. INVESTMENT POLICY OF THE FUND (CONTINUED)

The Fund's investment performance objective over any rolling 3 year period is to:

- achieve a return after investment management fees of at least CPI + 2 percentage points per annum for those assets required to meet the Fund's liquidity needs;
- achieve a return after investment management fees of at least CPI + 5 percentage points per annum for those assets not required to meet the Fund's liquidity needs;
- take advantage of market opportunities that will allow those assets not required to meet the Fund's liquidity needs to achieve a return after investment management fees in excess of CPI + 5 percentage points per annum.
- 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 an absolute return portfolio.

5. ACTUARIAL VALUATION

An actuarial valuation is not required for the Fund due to the short-term nature of the Fund's assets and liabilities. The contribution tables set for the Fund are subject to an annual review by actuaries specialising in healthcare to ensure that the Fund remains in a financially sound position. The 2012 review report was dated 1 September 2012 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 (PGN303 - Advice to South African Medical Schemes on Adequacy of Contributions).

6. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

During January 2013 R77m (42%) of the Fund's invested assets were transferred from Prescient Investment Managers to Coronation Fund Managers. The transfer was made based on a decision by the Board of Trustees to invest reserves in excess of the General Reserve of 40% of gross annualised contributions, with an active asset manager as opposed to a passive manager. This decision was based on past performance and recent market trends.

There have been no events that have occurred subsequent to the end of the accounting period that affect the annual financial statements, and 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 ACT")

The Council for Medical Schemes stipulated, via Circular 11 of 2006, that all cases of non-compliance with the Act should be disclosed in the annual financial statements. The following stipulations were not complied with during the year:

Non-compliance with S33(2) of the Act - Option not financially sound

Nature and impact

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance, and will be financially sound. As at 31 December 2012, the Extended option was in a deficit position, thereby contravening Section 33(2) of the Act. The deficit amounted to R2,003,658 (2011: R4,176,992) representing 0.92% (2011: 2.06%) of the aggregated contributions of the Fund.

Cause of failure

The Extended option houses most of the Fund's retired members as it offers more extensive benefits. The age profile of this option is higher than that of the other options resulting in higher claims per member than other options. This deficit position represents 5.21% (2011: 11.22%) of the Extended option's annual contributions for 2012.

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

Corrective action

The Trustees continue to review the financial position of this 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 84% 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 separate. The Trustees are satisfied that as a whole the Fund is financially sound.

Non-compliance with S26(7) of the Act - Contributions received after three days of becoming due

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the scheme. The rules indicate that contributions should be received no more than three days after they become due. During the 2012 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 2012, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R73,641. This amount represents 0.03% 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. These discrepancies were communicated to the employers and pension administrators, and paid in the following month.

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.

8. INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE FUND AND TO RELATED PARTIES

The Fund holds no direct or indirect investments in, nor has it extended loans to, participating employers or related parties.

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 BOT 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 are members of the BOT. The majority of the members are not officers of the Fund or its third-party Administrator. The Committee met on three occasions during the course of the year, as follows:

- 11 April 2012
- 1 August 2012
- 25 October 2012.

The Administrator and the External Auditors attend all Committee meetings. The External Auditors have 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 BOT in carrying out its duties relating to the Fund's accounting policies, internal control systems and financial reporting practices. The External Auditors formally report to the Committee on critical findings arising from the statutory audit of the Fund's Annual Financial Statements.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2012 (continued)**

9. AUDIT COMMITTEE (CONTINUED)

At 31 December 2012 the Audit Committee comprised:

- | | |
|--------------------|-------------------------|
| - Mr E Rood | Chairperson/Independent |
| - Mr R Buddle | Trustee |
| - Mr C Durham | Trustee |
| - Mr D Crisp | Non-trustee |
| - Ms Z Ganie | Non-trustee |
| - Mr P Wannenburgh | Non-trustee |

10. INVESTMENT COMMITTEE

An Investment Committee was established during 2005. The Chairperson of the Committee is independent of the Board of Trustees. 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 4 members of whom at least half shall be Trustees. The Investment Committee met on four occasions during 2012 as follows:

- 24 January 2012
- 25 April 2012
- 16 July 2012
- 24 October 2012.

At 31 December 2012, the Investment Committee comprised:

- | | |
|--------------------|-------------------------|
| - Mr P Wannenburgh | Chairperson/Non-trustee |
| - Ms K Dienst | Non-trustee |
| - Mr R Buddle | Trustee |
| - Ms S Malander | Trustee |

No payments were made by the Fund to any Investment Committee members in their individual capacities during the year. For the period until 29 February 2012, Mr Scott served as Chairperson/Non-trustee member of the Investment Committee, in terms of the overall service level agreement between the Fund and the actuaries to the Fund.

The Investment Committee discharged its responsibilities in terms of its mandate through regular review and discussion of relevant and detailed reports provided by the actuaries, administrator and investment managers appointed to the Fund. Presentations were also received from alternative investment managers under consideration for appointment to the Fund. The Board of Trustees was kept informed of the Investment Committee's deliberations and recommendations through the minutes of the meetings held together with regular reports provided by the Fund's actuaries, accountants and investment managers.

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 2012.

At 31 December 2012, the Disputes Committee comprised:

- | | |
|------------------------|-----------------------------|
| - Ms T Sishuba-Mashego | Woolworths Holdings Ltd |
| - Ms H Drabbe | Truworths International Ltd |
| - Ms A Gale | Woolworths Holdings Ltd |

12. BENEFITS COMMITTEE

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

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2012 (continued)**

12. BENEFITS COMMITTEE (CONTINUED)

The Benefits Committee met on three occasions during 2012, as follows:

- 7 June 2012
- 19 July 2012
- 27 August 2012.

At 31 December 2012, the Benefits Committee comprised:

- Ms S Malander Chairperson/Trustee
- Mr J Gillman Trustee
- Ms J Foedoerovna Trustee
- Mr M Smith Non-trustee
- Mr C du Plessis Non-trustee

13. TRUSTEE AND COMMITTEE MEETING ATTENDANCE

The following schedule sets out the BOT and Committee meeting attendances.

Trustee/Committee member	Board meetings		Investment Committee meetings		Audit Committee meetings		Benefits Committee meetings	
Number of meetings for the year	5		4		3		3	
	A	B	A	B	A	B	A	B
Trustees								
Mr R Buddle	5	4	4	3	3	2		
Mr P Bazlinton (Term ended May 2012)	3	3						
Mr C Durham	5	5			3	3		
Ms J Foedoerovna	5	4					3	3
Mr J Gillman (Elected in June 2012)	2	1						
Mr N Hlengwa	5	5						
Ms S Malander	5	4	4	4			3	3
Mr S Pillay	5	5						
Ms Z Rylands	5	4						
Ms M Sacks	5	2						
Mr B Tate	5	3						
Committee members								
Mr D Crisp					3	3		
Ms K Dienst			2	1				
Mr C du Plessis							3	3
Ms Z Ganie					3	2		
Mr E Rood	1	1			3	3		
Mr M Smith							3	2
Mr G Scott	5	4	4	4				
Mr P Wannenburg			4	4	3	2		

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

14. 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 pages 12 to 13.

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF FINANCIAL POSITION
as at 31 December 2012

	Notes	2012 R	2011 R
ASSETS			
Non-current assets			
Available-for-sale investments		124,526,615	106,729,310
Current assets			
Trade and other receivables		3,606,875	3,802,622
Available-for-sale investments		46,915,345	32,541,610
Cash and cash equivalents		19,931,828	31,621,115
Total assets		<u>194,980,663</u>	<u>174,694,657</u>
FUNDS AND LIABILITIES			
Members' funds (refer to page 23)			
General reserve		155,291,695	141,671,467
HIV reserve		17,462,452	16,061,028
Revaluation reserve		8,290,847	5,374,626
Current liabilities			
Trade and other payables		5,370,537	5,101,329
Outstanding claims provision	6	8,565,132	6,486,207
Total funds and liabilities		<u>194,980,663</u>	<u>174,694,657</u>

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	Notes	2012 R	2011 R
Contribution income		218,353,886	202,094,716
Relevant healthcare expenditure		(195,123,789)	(178,574,425)
Net claims incurred	7	(193,394,041)	(175,702,728)
Risk claims incurred		(193,607,685)	(176,505,404)
Third-party claim recoveries		213,644	802,676
Net expense on risk transfer arrangements	8	(1,729,748)	(2,871,697)
Premiums paid on risk transfer arrangements		(18,792,077)	(18,426,998)
Recoveries received on risk transfer arrangements		17,062,329	15,555,301
Gross healthcare result		23,230,097	23,520,291
Managed care: Management services		(3,187,847)	(3,020,899)
Administration and other expenses		(19,573,294)	(18,745,510)
Net impairment losses on trade and other receivables		(23,096)	(4,267)
Net healthcare result		445,860	1,749,615
Other income		14,952,989	9,566,405
Investment income	9	10,943,260	9,559,640
Net realised gains on available-for-sale investments	10	4,001,788	-
Sundry income		7,941	6,765
Other expenditure		(377,197)	(2,026,288)
Net realised losses on available-for-sale investments	10	-	(1,726,165)
Investment management fees		(377,197)	(300,123)
Net surplus for the year		15,021,652	9,289,732
Other comprehensive income/(expenditure)			
Unrealised gains on revaluation of available-for-sale investments		6,918,009	2,215,998
Net realised (gains)/ losses on available-for-sale investments recognised as other (income)/expenditure		(4,001,788)	1,726,165
Total comprehensive income		17, 937,873	13,231,895

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2012

	R	R	R	R
	General reserve	Revaluation reserve	HIV reserve	Members' funds
Balance at 1 January 2011	133,728,139	1,432,463	14,714,624	149,875,226
Surplus for the year	9,289,732	-	-	9,289,732
Unrealised gains on revaluation of available-for-sale investments	-	2,215,998	-	2,215,998
Net realised losses on available-for-sale investments recognised as other expenditure	-	1,726,165	-	(1,726,165)
Transfer to HIV reserve	(1,346,404)	-	1,346,404	-
Balance at 1 January 2012	141,671,467	5,374,626	16,061,028	163,107,121
Surplus for the year	15,021,652	-	-	15,021,652
Unrealised gains on revaluation of available-for-sale investments	-	6,918,009	-	6,918,009
Net realised gains on available-for-sale investments recognised as other income	-	(4,001,788)	-	(4,001,788)
Transfer to HIV reserve	(1,401,424)	-	1,401,424	-
Balance at 31 December 2012	155,291,695	8,290,847	17,462,452	181,044,994

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

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF CASH FLOWS
for the year ended 31 December 2012

	Notes	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		15,021,652	9,289,732
Adjustments for:			
- Investment income	9	(10,943,260)	(9,559,640)
- Investment management fees		377,197	300,123
- Net realised (gains)/ losses on available-for-sale investments	10	(4,001,788)	1,726,165
- Net impairment losses		23,096	4,267
		476,897	1,760,647
Decrease/(increase) in trade and other receivables		172,651	(439,128)
Increase in trade and other payables		269,208	258,738
Increase/(decrease) in outstanding claims provision		2,078,925	(134,471)
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,997,681	(1, 445,786)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	9	10,943,260	9,559,640
Investment management fees		(377,197)	(300,123)
Capitalised interest		(9,931,343)	(8,647,056)
Additions		(25,932,225)	(66,831,854)
Disposals		10,601,537	76,176,368
NET CASH (OUT)/IN FLOW FROM INVESTING ACTIVITIES		(14,686,968)	9,956,975
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11,689,278)	11,402,760
Cash and cash equivalents at beginning of the year		31,621,115	20,218,355
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		19,931,828	31,621,115

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2012

1. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those used to prepare the Annual Financial Statements.

1.1 Basis of preparation

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

2. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

During January 2013 R77m (42%) of the Fund's invested assets were transferred from Prescient Investment Managers to Coronation Fund Managers. The transfer was made based on a decision by the Board of Trustees to invest reserves, in excess of the General Reserve of 40% of gross annualised contributions, with an active asset manager as opposed to a passive asset manager. This decision was based on past performance and recent market trends.

3. CONTINGENT LIABILITIES

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees, suretyships or alike at 31 December 2012.

4. CONTINGENT ASSET

At year end claims amounting to R2,621,889 (2011: R2,915,945) had been lodged with the Road Accident Fund relating to past medical expenses already paid, with the potential recovery value of R2,181,655 (2011:R2,557,292).

5. AUDITED ANNUAL FINANCIAL STATEMENTS

The audited Annual Financial Statements can be obtained from the Fund's registered office or postal address, as indicated below:

Business address

Wooltru Healthcare Fund
Town Square
61 St George's Mall
Cape Town
8001

Postal address

Wooltru Healthcare Fund
PO Box 15403
Vlaeberg
8018

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2012 (continued)

6. OUTSTANDING CLAIMS PROVISION

	R	R
	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
2012		
Outstanding claims provision	737,450	7,827,682
Provision arising from liability adequacy test	-	-
	<u>737,450</u>	<u>7,827,682</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	943,524	5,542,683
Payments in respect of prior year	(943,524)	(5,725,730)
Under provision in respect of prior year	-	(183,047)
Adjustment for current year	737,450	8,010,729
Balance at end of year	<u>737,450</u>	<u>7,827,682</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	7,827,682
Outstanding claims provision relating to risk transfer arrangements	737,450	-
Balance at end of year	<u>737,450</u>	<u>7,827,682</u>
Total outstanding claims provision at end of year		<u>8,565,132</u>
2011		
Outstanding claims provision	943,524	5,542,683
Provision arising from liability adequacy test	-	-
	<u>943,524</u>	<u>5,542,683</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	1,082,293	5,538,385
Payments in respect of prior year	(1,082,293)	(5,952,197)
Under provision in respect of prior year	-	(413,812)
Adjustment for current year	943,524	5,956,495
Balance at end of year	<u>943,524</u>	<u>5,542,683</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	5,542,683
Outstanding claims provision relating to risk transfer arrangements	943,524	-
Balance at end of year	<u>943,524</u>	<u>5,542,683</u>
Total outstanding claims provision at end of year		<u>6,486,207</u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2012 (continued)

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

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

Assumptions and sensitivities

Process used to determine the assumptions

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

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

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

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

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

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected percentages of claims settled after each of the first four months of the claims run-off period, before the claims turn stale. The percentages used as assumptions are listed in the table below. The table also outlines the sensitivity of these percentages and the impact on the Fund's liabilities if an incorrect assumption is used.

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

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

	2012	2011
Claims outstanding for:	%	%
December	9%	11%
November	3%	4%
October	2%	2%
September	1%	1%
August and prior	1%	less than 1%

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2012 (continued)

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivities (continued)

Changes in assumptions and sensitivities to changes in key variables

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

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

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

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

	Change in liability 2012 R	Change in liability 2011 R
Effect of a 1 percentage point change in assumed percentage	571,041	610,405
Effect of a 2 percentage point change in assumed percentage	1,131,139	1,233,979
Effect of a 3 percentage point change in assumed percentage	1,821,229	1,870,836

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

7. NET CLAIMS INCURRED

	2012 R	2011 R
Claims incurred, excluding claims incurred in respect of risk transfer arrangements		
Current year claims	168,715,190	155,223,814
Movement in outstanding claims provision	8,010,729	5,956,495
- Under provision in prior years	183,047	413,812
- Year-end provision	7,827,682	5,542,683
Less:		
- Discount received on claims	(180,563)	(230,206)
	176,545,356	160,950,103
Claims incurred in respect of risk transfer arrangements		
Current year claims	16,324,879	14,611,777
Year-end provision	737,450	943,524
	17,062,329	15,555,301
Third-party claim recoveries		
Recoveries from the Road Accident Fund	(213,644)	(802,676)
	(213,644)	(802,676)
Total net claims incurred	193,394,041	175,702,728

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2012 (continued)

8. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS	2012	2011
	R	R
Premiums paid		
- Metropolitan Health Risk Management	12,511,455	12,108,733
- Metropolitan Health Risk Management risk transfer arrangement profit share	(1,120,044)	(847,875)
- CareCross Health	6,681,781	6,513,284
- Netcare 911	718,885	652,856
	<u>18,792,077</u>	<u>18,426,998</u>
Recoveries received	(17,062,329)	(15,555,301)
- Metropolitan Health Risk Management	(8,977,235)	(8,570,388)
- CareCross Health	(7,414,806)	(6,385,855)
- Netcare 911	(670,288)	(599,058)
	<u>1,729,748</u>	<u>2,871,697</u>

Overview of terms and conditions of risk transfer agreements:

The Fund entered into a risk transfer arrangement with CareCross Health. The arrangement provides all healthcare benefits for beneficiaries registered on the Core option via specialist and general practitioner networks.

The Metropolitan Health Risk Management (formerly Qualsa Healthcare (Pty) Ltd) risk transfer arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended options. This agreement includes a profit sharing arrangement whereby the Fund is entitled to 65% of the risk transfer arrangement profits in excess of 5% of the annual capitation premiums. In the case of a loss on the risk transfer arrangement the Fund bears no portion of such loss.

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

9. INVESTMENT INCOME	2012	2011
	R	R
Available-for-sale investments interest income	10,235,354	8,765,798
Cash and cash equivalents interest income	707,906	793,842
	<u>10,943,260</u>	<u>9,559,640</u>

10. NET REALISED GAINS/(LOSSES) ON AVAILABLE-FOR-SALE INVESTMENTS

Realised gains on available-for-sale financial assets	15,611,186	8,275,296
Equity derivatives	15,021,758	5,214,469
Capital market instruments	13,497	2,173,864
Money market instruments	575,931	886,963
Realised losses on available-for-sale financial assets	(11,609,397)	(10,001,461)
Equity derivatives	(2,087,906)	(6,682,508)
Capital market instruments	-	(1,653,016)
Money market instruments	(9,521,491)	(1,665,937)
	<u>4,001,788</u>	<u>(1,726,165)</u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2012 (continued)

11. SURPLUS/(DEFICIT) PER BENEFIT OPTION

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

2012	CORE	PLUS	EXTENDED	TOTAL
Contributions	7,440,935	172,434,027	38,478,924	218,353,886
Relevant healthcare expenditure	(6,681,781)	(148,815,149)	(39,626,859)	(195,123,789)
Net claims incurred	(7,414,806)	(144,476,529)	(41,502,706)	(193,394,041)
Net (expense)/income on risk transfer arrangements	733,025	(4,338,620)	1,875,847	(1,729,748)
Gross healthcare result	759,154	23,618,878	(1,147,935)	23,230,097
Managed care:				
Management services	-	(2,862,878)	(324,969)	(3,187,847)
Administrative expenses	(795,234)	(16,858,646)	(1,919,414)	(19,573,294)
Impairment losses on trade and other receivables	(1,402)	(19,446)	(2,248)	(23,096)
Net healthcare result	(37,482)	3,877,908	(3,394,566)	445,860
Other income	945,091	12,580,996	1,426,902	14,952,989
Investment income	691,659	9,207,331	1,044,270	10,943,260
Net realised gains on available-for-sale investments	252,930	3,366,984	381,874	4,001,788
Sundry income	502	6,681	758	7,941
Other expenditure	(23,840)	(317,362)	(35,994)	(377,197)
Investment management fees	(23,840)	(317,362)	(35,994)	(377,197)
Surplus/(deficit) for the year	883,768	16,141,542	(2,003,658)	15,021,652
2011	CORE	PLUS	EXTENDED	TOTAL
Contributions	7,446,691	157,424,636	37,223,389	202,094,716
Relevant healthcare expenditure	(6,513,284)	(132,205,433)	(39,855,708)	(178,574,425)
Net claims incurred	(6,385,855)	(127,650,213)	(41,666,660)	(175,702,728)
Net (expense)/income on risk transfer arrangements	(127,429)	(4,555,220)	1,810,952	(2,871,697)
Gross healthcare result	933,407	25,219,203	(2,632,319)	23,520,291
Managed care:				
Management services	-	(2,686,317)	(344,582)	(3,020,899)
Administrative expenses	(766,665)	(15,987,970)	(1,990,875)	(18,745,510)
Impairment losses on trade and other receivables	(275)	(3,448)	(544)	(4,267)
Net healthcare result	166,467	6,541,468	(4,958,320)	1,749,615

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2012 (continued)

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

2011	CORE	PLUS	EXTENDED	TOTAL
Other income	619,965	7,955,142	991,298	9,566,405
Investment income	619,527	7,949,516	990,597	9,559,640
Sundry income	438	5,626	701	6,765
Other expenditure	(131,317)	(1,685,002)	(209,970)	(2,026,288)
Net realised losses on available-for-sale investments	(111,867)	(1,435,428)	(178,870)	(1,726,165)
Investment management fees	(19,450)	(249,573)	(31,100)	(300,123)
Surplus/(deficit) for the year	655,115	12,811,608	(4,176,992)	9,289,732

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. The Extended Option recorded a net deficit for the year of R2,003,658 (2011: R4,176,992). Refer to note 13.

12. RELATED PARTY TRANSACTIONS

Related party relationships

Parties with significant influence over the Fund

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

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

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

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

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

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 BOT, the Principal Officer and members of various committees. The disclosure deals with all the Fund's officers, some of which are compensated on a fee basis (Principal Officer, Fund Manager and Medical Advisor) and some of which are compensated on an attendance basis (retiree representative on the BOT and independent members of committees). The balance of the BOT (including the Chairperson) receives no compensation from the Fund, as they are full-time employees of the participating employers.

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

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2012 (continued)

12. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2012	2011
	R	R
<i>Compensation</i>		
Principal Officer's fees	491,856	466,200
Contribution toward Fund Manager's remuneration	272,028	260,832
Medical Advisor's fees	391,716	371,280
Trustee and committee members' remuneration	68,558	66,300
	1,224,158	1,164,612

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

Statement of comprehensive income

Gross contributions received	539,736	485,172
Claims incurred	383,769	370,913

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

Transaction	Nature of transactions and terms and conditions thereof
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

Statement of comprehensive income	2012	2011
	R	R
Administration fees paid to MHC	15,416,175	15,398,417
Managed care fees and capitation premiums paid to Metropolitan Health Risk Management	15,101,954	14,279,291
Capitation agreement profit share allocation from Metropolitan Health Risk Management	(1,120,044)	(847,875)
Investment management fees paid to Prescient	377,197	300,123
Actuarial fees paid to Towers Watson	995,832	943,920
Seminar and travel expenses paid on behalf of Trustees	8,698	11,207

Statement of financial position

Actuarial fees due to Towers Watson	-	78,660
Provision for risk transfer agreement profit share due from Metropolitan Health Risk Management	781,269	847,875
Share of outstanding claims provision	343,953	334,790
Sundry payables and provisions	15,550	1,568

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Terms and conditions of the administration agreement

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

Terms and conditions of the managed care agreement

The managed care agreement with Metropolitan Health Risk Management 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 investment management contract

The investment management contract with Prescient is in accordance with instructions given by the Trustees of the Fund. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Fund has the right to terminate the agreement on a day's notice. Fees are calculated on an arm's length basis on market-related terms. Performance fees are payable if certain investment performance benchmarks are achieved, but cannot be less than R nil.

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

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

13. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT 131 OF 1998 (THE "ACT")

The CMS 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 stipulations were not complied with during the year:

Non-compliance with S33(2) of the Act - Option not financially sound

Nature and impact

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and will be financially sound. As at 31 December 2012, the Extended option was in a net deficit position, thereby contravening Section 33(2) of the Act. The deficit amounted to R2,003,658 (2011: R4,176,992) representing 0.92% (2011: 2.06%) of the aggregated contributions of the Fund.

Cause of failure

The Extended option houses 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. This deficit position represents 5.21% (2011: 11.22%) of the Extended option's annual contributions for 2012.

Corrective action

The Trustees continue to review the financial position of this 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 84% 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 separate. The Trustees are satisfied that as a whole the Fund is financially sound.

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

Non-compliance with S26(7) of the Act - Contributions received after three days of becoming due

Nature and impact

In terms of section 26(7) of the Act, contributions should be received in accordance with the rules of the scheme. The rules state that contributions should be received no more than three days after they become due. During the 2012 year, there were no instances where contributions at an employer group level were received later than three days after due date. As at 31 December 2012, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R73,641. This amount represents 0.03% 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. These discrepancies were communicated to the employers and pension administrators and paid in the following month.

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.