



NOTICE IS HEREBY GIVEN THAT THE FORTY-EIGHTH ANNUAL GENERAL MEETING OF WOOLTRU HEALTHCARE FUND WILL BE HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 24 JUNE 2014 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 25 June 2013
4. To adopt the annual report of the Board for the year ended 31 December 2013
5. To adopt the financial statements for the year ended 31 December 2013
6. To adopt the report of the auditors for the year ended 31 December 2013
7. To appoint the auditors for the ensuing year
8. To confirm the appointment of the Member-elected Trustees
9. General

By order of the Board

KEITH TITLEY
PRINCIPAL OFFICER

MINUTES OF THE FORTY-SEVENTH 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, 25 JUNE 2013 AT 14:00

- **PRESENT:** 34 Members represented in person and 10 proxies received
- **CHAIRPERSON:** Ms Z Rylands
- **PRINCIPAL OFFICER:** Mr K Titley
- **APOLOGIES:** Dr Davidson, Mr Scott, Mr Mbumbwa, Ms Combrink, Mr Coghlan and Ms van Zyl

1. CHAIRPERSON'S WELCOME

The Chairperson opened the meeting and welcomed those present.

A special word of welcome was extended to the representatives of Metropolitan Health Corporate (Pty) Ltd, the Fund's Administrator.

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 (AGM), which was confirmed as having been circulated timeously to all members, was taken as read.

3. CONFIRMATION OF MINUTES OF THE PREVIOUS AGM HELD ON 26 JUNE 2012

Mr Gillman proposed that the minutes of the 2012 AGM be approved and adopted.

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

The minutes of the forty-sixth AGM held on 26 June 2012 were signed as a true record of the proceedings.

4. REPORT OF THE BOARD OF TRUSTEES (BOT) FOR THE YEAR ENDED 31 DECEMBER 2012

The annual report of the BOT for the year ended 31 December 2012, having been circulated, was presented to the meeting.

5. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Annual Financial Statements for the year ended 31 December 2012, 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 2012

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

Ms Malander proposed that the audited financial statements, the report of the Trustees, and the report of the auditors for the year ended 31 December 2012 be approved and adopted.

Ms Foedoerovna seconded the proposal, which was 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 2013 was presented to the meeting.

Mr Tate proposed that the appointment of Ernst & Young Inc. as the external auditors to the Fund for the financial year ending 31 December 2013 be approved and adopted.

Ms 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, 25 JUNE 2013 AT 14:00 (CONTINUED)

8. GENERAL

No general items were raised for discussion.

9. CLOSURE MEETING

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

There being no further questions from the floor and no further business to discuss, the Chairperson thanked the members for their attendance and declared the meeting closed at 14:05.

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 2013**

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 2013.

The Fund's net healthcare surplus (before investment income) for the year amounted to R5,9 million (2012: R0,4 million). The Core Option ended the year with a deficit of R0,3 million, while the Plus Option yielded a net healthcare surplus of R1,3 million (2012: R3,9 million), and the Extended Option ended with a net healthcare deficit of R6,9 million (2012: R3,4 million deficit). Net investment returns yielded R24,8 million for the year, which includes a once off realised gain of R5,3 million due to funds transferred from Prescient Investment Management (Pty) Ltd to Coronation Asset Management (Pty) Ltd (2012: R14,9 million). This resulted in an overall surplus for the year of R18,1 million (2012: R15,0 million). The Fund's solvency ratio as at 31 December 2013 was 83.48% (2012: 79.12%).

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 (Pty) Ltd, (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, thereby effectively subsidising member contributions; and
- to regard the balance of the general reserve as a surplus asset reserve to be utilised to cushion the impact of anticipated continuing operating deficits over a rolling 10-year period. This strategy is designed to protect members from the need to impose sudden high contribution increases where an above average deficit is experienced in any one year.

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

| | 2013 | | 2012 | |
|--|---------------------|--------------|---------------------|--------------|
| | R'millions | | R'millions | |
| General reserve | 91,5 | 40.0% | 87,3 | 40.0% |
| HIV reserve | 19,0 | 8.3% | 17,5 | 8.0% |
| Surplus asset reserve | <u>80,4</u> | <u>35.1%</u> | <u>68,0</u> | <u>30.1%</u> |
| Total members' funds | <u>190,9</u> | | <u>172,8</u> | |
| Solvency ratio at year end: (% of annual contributions) | | <u>83.4%</u> | | <u>79.1%</u> |

Contributions were increased with effect from 1 January 2014 by, on average, 5.0%, 6.0% and 8.0% for the Core, Plus and Extended options respectively.

The Board confirms that the Fund remains financially sound and is confident that it 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 2013 (continued)**

CHAIRPERSON'S REVIEW (CONTINUED)

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

1. GOVERNANCE

The Fund's management and service providers as at 31 December 2013:

1.1 Board of Trustees (BOT)

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

The terms of office of both Ms Sacks and Ms Foedoerovna as Member-appointed Trustees expire on 31 May 2014 and both are available for re-election. Formal appointments will be made at the Fund's 2014 Annual General Meeting.

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

1.2 Fund Committees

- Audit Committee: Chairperson: Mr E Rood (Independent)
- Benefits Committee: Chairperson: Ms S Malander (Trustee)
- Clinical Committee: Chairperson: Dr A Davidson (Medical advisor)
- Ex gratia Committee: Chairperson: Dr A Davidson (Medical advisor)
- Investment Committee: Chairperson: Mr 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 managers: Prescient Investment Management (Pty) Ltd and Coronation Asset Management (Pty) Ltd
- Auditors: Ernst & Young Inc.
- Emergency evacuation: Netcare 911 (Pty) Ltd
- Managed Care: Metropolitan Health Risk Management (Pty) Ltd
- Multiply Wellness Programme: Momentum Interactive (Pty) Ltd
- Network and Designated Service Provider (DSP): CareCross Health (Pty) Ltd

CHAIRPERSON'S REVIEW (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 (CareCross Health) 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 upfront admission fee, except in the case of emergency or PMB admissions. PMBs must be obtained via a 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 continues 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. In 2013, 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 the Fund's 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.

The Fund's investments, which have been managed exclusively by Prescient Investment Management (Pty) Ltd (Prescient) since May 2002, were split between Prescient and Coronation Asset Management (Pty) Ltd (Coronation) with effect from January 2013 as follows:

- the general reserve, comprising 40% of gross annualised contributions, continued to be invested with Prescient within their 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; and
- the balance of the Fund's investable assets were placed with Coronation with a fully discretionary balanced investment mandate with no specific risk constraint. This portfolio will perform differently to the absolute return portfolio above, and should offer the Fund superior returns over the longer term.

The Fund's asset managers had achieved the following returns as at 31 December 2013 in respect of the portfolios in which the Fund was invested:

- Prescient: 2013 year: 13.63%, three years: 11.13%, five years: 10.21%
- Coronation: 2013 year: 11.50%, *three years**: 11.29%, *five years**: 13.45%
- **Inflation: 2013 year: 5.40%, three years*: 5.73%, five years*: 5.39%*

*[*For comparative purposes only]*

The Trustees are pleased to note that the returns of both Prescient and Coronation were well in excess of inflation, and are comfortable that the strategy of splitting the Fund's investments between the two managers will provide satisfactory real returns at a relatively low level of risk.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
for the year ended 31 December 2013 (continued)**

CHAIRPERSON'S REVIEW (CONTINUED)

3. INVESTMENT POLICY OF THE FUND (CONTINUED)

The Trustees are advised by Towers Watson (Pty) Ltd (Towers Watson), who provide investment consulting services to the Fund, and who monitor the 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

| | 2013 | 2012 | % on PY |
|--|-------------|-------------|----------------|
| Number of members at year end | 8,968 | 8,758 | 2.40% |
| Average number of members for the year | 8,871 | 8,876 | -0.06% |
| Average contribution per member per month | 2,148 | 2,050 | 4.78% |
| Average claims incurred per member per month | 1,978 | 1,832 | 7.97% |
| Beneficiaries per member at 31 December | 2.02 | 2.03 | -0.49% |
| Average age of beneficiaries | 29 | 29 | 0.0% |
| Pensioner ratio | 16.50% | 16.18% | 0.32% |
| Administration costs per member per month | 194 | 184 | 5.43% |
| Claims as a percentage of net contributions | 92.09% | 89.36% | 3.06% |
| Administration expenses as a percentage of net contributions | 9.02% | 8.96% | 0.06% |
| Accumulated funds ratio (solvency margin) at year end | 83.48% | 79.12% | 4.36% |

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 2013 (before investment returns) was as follows:

| | 2013 | 2012 |
|--------------------------------|----------------|--------------|
| | R'000 | R'000 |
| Core | (294) | (37) |
| Plus | 1,305 | 3,878 |
| Extended | (6,861) | (3,395) |
| Total (deficit)/surplus | (5,951) | 446 |

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 operational deficits on the Core and Extended options for 2013, the surplus return on the Plus Option, together with the investment income earned over the year, ensured that the Fund remains in an overall financially sound position. This has been the case for many years.

4.4 Reserves

Refer to page 4.

CHAIRPERSON'S REVIEW (CONTINUED)

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

4.5 Outstanding claims

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. There have been no unusual movements 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 2013, detailing the benefits and contributions for 2014. In addition, members are encouraged to visit the Fund's website (www.wooltruhealthcarefund.co.za) regularly. The site is hosted by the Administrator, and can be used for information relating to the rules of the Fund and other pertinent information.

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 include education and personal support from case managers, regular consultations, tests to monitor health and anti-retroviral therapy. The Programme is completely confidential and is run independently by Metropolitan Health Risk Management (Pty) Ltd (Metropolitan Health Risk Management - formerly Qualsa Healthcare (Pty) Ltd) and CareCross Health.

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 2013 audit and Annual Financial Statements was:

- Mr E Rood Chairperson (Independent)
- Mr D Crisp (Independent)
- Ms Z Ganie (Non-trustee)
- Mr P Wannenburg (Non-trustee)
- Mr C Durham (Trustee)
- Mr 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. Multiply's overall purpose 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 online 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 online at www.multiply.co.za.

CHAIRPERSON'S REVIEW (CONTINUED)

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

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.

I would like to take this opportunity to wish all our members good health for 2014 and beyond!

Zyda Rylands
Chairperson
May 2014

**WOOLTRU HEALTHCARE FUND
SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013**

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

The accompanying summary financial statements, which comprise the summary statement of financial position as at 31 December 2013, the summary statement of comprehensive income, summary statement of changes in funds and reserves and summary 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 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 23 April 2014. Those financial statements and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary 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 summary 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 summary 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 summary financial statements derived from the audited financial statements of Wooltru Healthcare Fund for the year ended 31 December 2013 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 2014

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2013**

The Board of Trustees hereby presents its report for the year ended 31 December 2013.

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

1. MANAGEMENT

1.1 Board of Trustees (BOT)

The names of the Trustees in office as at 31 December 2013 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)
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

1. MANAGEMENT (CONTINUED)

1.5 Investment managers

Prescient Investment Management (Pty) Ltd

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

Financial services provider number: 2545

Coronation Asset Management (Pty) Ltd

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

Financial services provider number: 548

1.6 Principal participating employers

- Woolworths Holdings Ltd
- Truworths International Ltd
- 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. DESCRIPTION OF THE FUND (CONTINUED)

2.2 Options within the Fund

The Fund offers three benefit options to members:

- Core
- Plus
- Extended.

2.3 Risk transfer arrangements

During 2013 the Fund re-entered into risk transfer arrangements with CareCross Health (Pty) Ltd (CareCross Health), Metropolitan Health Risk Management (Pty) Ltd (Metropolitan Health Risk Management) and Netcare 911 (Pty) Ltd (Netcare 911).

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

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 arrangement in excess of 5% of the annual capitation premiums. The Fund does not participate in a loss. This agreement has been effective from 1 January 2010. For the year ended 31 December 2013 an amount of R999,763 (2012: R781,269) 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 2013.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2013 (continued)**

3. REVIEW OF THE YEAR'S ACTIVITIES

3.1 Operational activities

2013

| | Core | Plus | Extended | Total |
|--|-------------|-------------|-----------------|--------------|
| Number of members at year end | 625 | 7,570 | 773 | 8,968 |
| Number of beneficiaries at year end | 1,040 | 15,434 | 1,649 | 18,123 |
| Average number of members for the year | 592 | 7,492 | 787 | 8,871 |
| Average number of beneficiaries for the year | 1,000 | 15,250 | 1,673 | 17,923 |
| Dependants to member ratio at year end | 0.66 | 1.04 | 1.13 | 1.02 |
| Average age of beneficiaries for the year | 30 | 28 | 40 | 29 |
| Pensioner ratio (%) | 19.52 | 13.34 | 45.02 | 16.50 |
| Net contributions per average member per month (R) | 1,115 | 2,029 | 4,063 | 2,148 |
| Net contributions per average beneficiary per month (R) | 660 | 997 | 1,911 | 1,063 |
| Relevant healthcare expenditure as a percentage of gross contributions (%) | 93 | 87.85 | 112.15 | 92.09 |
| Relevant healthcare expenditure per average member per month (R) | 1,033 | 1,782 | 4,557 | 1,978 |
| Relevant healthcare expenditure per average beneficiary per month (R) | 611 | 876 | 2,144 | 979 |
| Amounts paid to Administrator (R) | 632,750 | 14,678,312 | 1,550,794 | 16,861,856 |
| Average administration cost per member per month (R) | | | | 194 |
| Average administration cost per beneficiary per month (R) | | | | 96 |
| Administration cost as a percentage of net contributions (%) | 11.16 | 9.79 | 4.91 | 9.02 |
| Average managed care expense per member per month (R) | - | 34 | 34 | 31 |
| Average managed care expense per beneficiary per month (R) | - | 17 | 16 | 16 |
| Non-healthcare expenditure as a percentage of contributions (%) | 11.12 | 11.43 | 5.73 | 10.47 |
| Accumulated funds per member at 31 December (R) | | | | 21,287 |
| Return on investments as a percentage of investments (%) | | | | 11.75 |

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2013 (continued)**

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

3.1 Operational activities (continued)

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 |
| 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 (%) | | | | 5.75 |

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

| | 2013 | 2012 |
|---|-------------|-------------|
| | R | R |
| The solvency ratio is calculated on the following basis: | | |
| General reserve | 171,908,431 | 155,291,695 |
| HIV reserve | 18,991,817 | 17,462,452 |
| Revaluation reserve | 5,020,040 | 8,290,847 |
| Total members' funds as per statement of financial position | 195,920,288 | 181,044,994 |

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2013 (continued)**

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

3.3 Solvency ratio (continued)

| | 2013 | 2012 |
|---|--------------------|--------------------|
| | R | R |
| Less: Revaluation reserve | <u>(5,020,040)</u> | <u>(8,290,847)</u> |
| Accumulated funds | <u>190,900,248</u> | <u>172,754,147</u> |
| Contribution income per statement of comprehensive income | 228,681,672 | 218,353,886 |
| Accumulated funds/gross contribution income | <u>83.48%</u> | <u>79.12%</u> |

The solvency ratios for both 2013 and 2012 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 26.

The HIV reserve is reviewed every three years and records funding set aside for current and potential future claims related to HIV and AIDS treatment. The last review was done during January 2011.

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 29 to 31.

4. INVESTMENT POLICY OF THE FUND

Prescient Investment Management (Pty) Ltd (Prescient) and Coronation Asset Management (Pty) Ltd (Coronation) are the Fund's appointed investment managers. Prescient manages two portfolios for the Fund, namely a money market portfolio and a positive return portfolio. The Fund invests funds in compliance with the requirements of the Act. In December 2009, the Trustees approved an updated investment policy, increasing the maximum allowable effective exposure to equities from 40% to 50% of the total amount invested. The positive return portfolio managed by Prescient was changed to reflect the increased maximum for effective exposure to equities of 50%. As at 31 December 2013 the effective equity exposure of the positive return portfolio managed by Prescient amounted to 40.4% (2012: 39.4%) of the total amount received. In January 2013, the Fund invested assets in the positive return portfolio managed by Coronation. This portfolio is pooled across a number of medical schemes and the mandate cannot be customised for one participant. The mandate for the positive return portfolio managed by Coronation limits the effective equity exposure to 40%.

4. INVESTMENT POLICY OF THE FUND (CONTINUED)

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

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

- achieve a return after investment management fees of at least CPI plus 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 plus 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 plus 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 2013 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

There have been no events that have occurred subsequent to the end of the accounting period that affect the Summarised 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 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 matters are accordingly disclosed:

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

Nature and impact

The Fund has obtained approval for registration of the Extended Option for the 2014 benefit year from the Registrar during October 2013 in terms of Section 33(2) of the Act. As per the submission approved by the Registrar, the Extended Option continues to be in a net deficit position. As at 31 December 2013, the deficit amounted to R4,732,692 (2012: R2,003,658) representing 2.07% (2012: 0.92%) 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 other options. This deficit position represents 12.33% (2012: 5.21%) of the Extended Option's annual contributions for 2013.

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

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

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

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the scheme. The rules indicate that contributions should be received no more than three days after they become due. During the 2013 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 2013, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R18,036 (2012: R73,641). This amount represents 0.008% (2012: 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.

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

Nature and impact

In terms of the Medical Schemes Act and specifically Section 59(2), it is a requirement that claims should be paid within 30 days of receipt thereof. The contravention of the Act could lead to service providers no longer providing services needed by the Fund.

Cause of failure

There were four claims that were settled outside of the 30-day statutory timeframe and members were not notified. The total claim lines amounted to R 1,187.65. Claims were not paid within 30 days from date of receipt for the following reasons: delays from forensic intervention; cancelled cheque because the provider changed their name and because of claims backlog.

Corrective action

The Fund has acknowledged that there will always be claims that are not processed within the 30-days statutory timeframe, as there are claims that require extensive investigation which results in settlement of claims after 30 days. The On Hold report will be reviewed twice a month by the Claims Technical Specialist and long outstanding claims will be prioritised.

Regulation 8 of the Regulations issued in terms of the Medical Schemes Act – Prescribed Minimum Benefit (PMB) claims not paid in full

Nature and impact

In terms of the Regulation, the Fund must pay in full (without co-payment or the use of deductibles) the diagnosis, treatment and care costs of the PMB conditions.

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

Regulation 8 of the Regulations issued in terms of the Medical Schemes Act – Prescribed Minimum Benefit (PMB) claims not paid in full (continued)

Cause of failure

During 2013, four claim lines relating to PMB conditions were not settled in full and three were rejected. All seven of the claim lines were stamped as diagnosis and treatment pairs (DTPs) claims in the automatic system validation process.

Corrective action

The Fund pays PMB claims in terms of the Regulations. Where a dispute arises, it is investigated and appropriately remediated.

Section 28 of the Medical Schemes Act – Beneficiaries who are dependants in more than one scheme

Nature and impact

According to Section 28 of the Medical Schemes Act: No person shall – (a) be a member of more than one medical scheme; (b) be admitted as a dependant of – (i) more than one member of the particular medical scheme; or (ii) members of the different medical schemes; or (c) claim or accept benefits in respect of himself or herself or any dependant from any medical scheme other than the medical scheme he or she is a member of.

During 2013, there were two instances whereby beneficiaries were dependants in more than one medical scheme with the Fund's Administrator.

Cause of failure

The Administrator regularly checks for beneficiaries who are registered as dependants across more than one medical scheme, however, the Administrator's reporting process could not flag the particular beneficiaries as being dual-registered, and hence no action was taken by the Administrator to update the member records.

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 pensioner payroll administrators on the one hand and the Administrator on the other, this is not always possible.

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

Nature and impact

The Fund, through the Coronation Medical Aid Portfolio, holds investments in a participating employer as well as its Administrator. This is in contravention of Section 35(8) of the Act, as the Fund is not allowed to hold shares in the holding company of its Administrator or any participating employer, unless an exemption has been granted by the CMS.

Cause of failure

The Fund invests in a pooled portfolio and does not have control over the underlying assets.

Corrective action

The Fund received an exemption in November 2013 from the CMS from complying with section 35(8)(a) and (c), in so far as it relates to investments placed with asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund. The exemption is granted up until 31 December 2014.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2013 (continued)**

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

The Fund, through the Coronation Medical Aid Portfolio, holds the following investments in a participating employer as well as its Administrator:

| | 2013 | 2012 |
|-----------------------------|------------------|-------------|
| | R | R |
| Truworths International Ltd | 435,452 | - |
| MMI Holdings Ltd | 664,164 | - |
| | <u>1,099,616</u> | <u>-</u> |

Refer to Note 12 for detailed disclosure in terms of related parties. The Scheme 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 its Administrator.

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:

- 10 April 2013
- 14 August 2013
- 23 October 2013.

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.

At 31 December 2013, the Audit Committee comprised of:

- | | |
|-------------------|-------------------------|
| - 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 Wannenburg | Non-trustee |

10. INVESTMENT COMMITTEE

An Investment Committee was established during 2005. The Chairperson of the committee is independent of the BOT. The Investment Committee meets quarterly and the responsibility of the committee is to advise the BOT 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 2013 as follows:

- 23 January 2013
- 24 April 2013
- 23 July 2013
- 22 October 2013.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2013 (continued)**

10. INVESTMENT COMMITTEE (CONTINUED)

At 31 December 2013, the Investment Committee comprised of:

- | | |
|-------------------------------|-------------------------|
| - Mr P Wannenburg | Chairperson/Non-trustee |
| - Ms K van der Merwe (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.

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 BOT 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 2013.

At 31 December 2013, 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.

The Benefits Committee met on four occasions during 2013, as follows:

- 25 June 2013
- 23 July 2013
- 2 September 2013
- 22 October 2013.

At 31 December 2013, the Benefits Committee comprised of:

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

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2013 (continued)**

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 BOT 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, which functioned in the form of a working group prior to its establishment by the Trustees as a committee, met on two occasions during 2013 as follows:

- 13 August 2013
- 5 November 2013.

At 31 December 2013, the Clinical Committee comprised of:

- | | |
|-------------------|---|
| - Dr A Davidson | Medical advisor and Chairperson |
| - Ms J Wolhuter | Fund Manager |
| - Mr S Pillay | Trustee |
| - Mr N Hlengwa | Trustee |
| - Ms C Bunn | Fund Administrator's representative |
| - Ms J Combrink | Fund actuaries' representative |
| - Ms N van Soelen | Fund managed care provider's representative |

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, which functioned in the form of a working group prior to its establishment by the Trustees as a committee, met once during 2013 on 5 November 2013.

- | | |
|-----------------|---|
| - Dr A Davidson | Medical advisor and Chairperson |
| - Ms J Wolhuter | Fund Manager |
| - Mr B Tate | Trustee |
| - Mr J Gillman | Trustee |
| - Ms C Bunn | Fund Administrator's representative |
| - Ms A Brandes | Fund managed care provider's representative |
| - Ms J Combrink | Fund actuaries' representative |

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2013 (continued)**

15. 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 | | Clinical Committee Meetings | | Ex gratia Committee Meetings | |
|-----------------------------|----------------|---|-------------------------------|---|--------------------------|---|-----------------------------|---|-----------------------------|---|------------------------------|---|
| | 5 | | 4 | | 3 | | 4 | | 4 | | 1 | |
| | A | B | A | B | A | B | A | B | A | B | A | B |
| Trustees | | | | | | | | | | | | |
| Mr R Buddle | 5 | 4 | 4 | 4 | 3 | 2 | | | | | | |
| Mr C Durham | 5 | 5 | | | 3 | 3 | | | | | | |
| Ms J Foedoerovna | 5 | 5 | | | | | 4 | 2 | | | | |
| Mr J Gillman | 5 | 5 | | | | | 4 | 4 | | | 1 | 1 |
| Mr N Hlengwa | 5 | 5 | | | | | | | 2 | 2 | | |
| Ms S Malander | 5 | 4 | 4 | 3 | | | 4 | 3 | | | | |
| Mr S Pillay | 5 | 5 | | | | | | | 2 | 2 | | |
| Ms Z Rylands | 5 | 4 | | | | | | | | | | |
| Ms M Sacks | 5 | 5 | | | | | | | | | | |
| Mr B Tate | 5 | 5 | | | | | | | | | 1 | 1 |
| Committee members | | | | | | | | | | | | |
| Mr D Crisp | | | | | 3 | 3 | | | | | | |
| Ms J Wolhuter | | | | | | | | | 2 | 2 | 1 | 1 |
| Dr A Davidson | | | | | | | | | 2 | 2 | 1 | 1 |
| Ms K van der Merwe (Dienst) | | | 4 | 4 | | | | | | | | |
| Ms J Combrink | | | | | | | | | 2 | 2 | 1 | 1 |
| Ms C Bunn | | | | | | | | | 2 | 2 | 1 | 1 |
| Ms A Brandes | | | | | | | | | | | 1 | 1 |
| Ms N van Soelen | | | | | | | | | 2 | 2 | | |
| Mr C du Plessis | | | | | | | 4 | 3 | | | | |
| Ms Z Ganie | | | | | 3 | 3 | | | | | | |
| Mr E Rood | 1 | 1 | | | 3 | 3 | | | | | | |
| Mr M Smith | | | | | | | 4 | 4 | | | | |
| Mr G Scott | 5 | 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

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 13.

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

| | Note | 2013 R | 2012 R |
|--|------|--------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Available-for-sale investments | | 63,876,323 | 124,526,615 |
| Current assets | | | |
| Trade and other receivables | | 2,589,620 | 3,606,875 |
| Available-for-sale investments | | 115,856,132 | 46,915,345 |
| Cash and cash equivalents | | 24,550,634 | 19,931,828 |
| Total assets | | 206,872,709 | 194,980,663 |
| FUNDS AND LIABILITIES | | | |
| Members' funds (refer to page 26) | | | |
| General reserve | | 171,908,431 | 155,291,695 |
| HIV reserve | | 18,991,817 | 17,462,452 |
| Revaluation reserve | | 5,020,040 | 8,290,847 |
| Current liabilities | | | |
| Trade and other payables | | 687,350 | 5,370,537 |
| Outstanding claims provision | 6 | 10,265,071 | 8,565,132 |
| Total funds and liabilities | | 206,872,709 | 194,980,663 |

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

| | | 2013 | 2012 |
|---|-------|---------------|---------------|
| | Notes | R | R |
| Risk contribution income | | 228,681,672 | 218,353,886 |
| Relevant healthcare expenditure | | (210,600,923) | (195,123,789) |
| Net claims incurred | 7 | (206,700,821) | (193,394,041) |
| Risk claims incurred | | (207,472,580) | (193,607,685) |
| Third-party claim recoveries | | 771,759 | 213,644 |
| Net expense on risk transfer arrangements | 8 | 3,900,102 | (1,729,748) |
| Premiums paid on risk transfer arrangements | | (20,231,395) | (18,792,077) |
| Recoveries received on risk transfer arrangements | | 16,331,293 | 17,062,329 |
| Gross healthcare result | | 18,080,749 | 23,230,097 |
| Managed care: Management services | | (3,352,409) | (3,187,847) |
| Administration and other expenses | | (20,623,156) | (19,573,294) |
| Net impairment gains/(losses) on trade and other receivables | | 43,763 | (23,096) |
| Net healthcare result | | (5,851,053) | 445,860 |
| Other income | | 24,754,869 | 14,952,989 |
| Investment income | 9 | 9,812,364 | 10,943,260 |
| Net realised gains on available-for-sale investments | 10 | 14,944,161 | 4,001,788 |
| Sundry (expense)/income | | (1,656) | 7,941 |
| Other expenditure | | (757,715) | (377,197) |
| Investment management fees | | (757,715) | (377,197) |
| Net surplus for the year | | 18,146,101 | 15,021,652 |
| Other comprehensive income | | | |
| Unrealised gains on revaluation of available-for-sale investments | | 11,673,354 | 6,918,009 |
| Net realised gains on available-for-sale investments recognised as other income | 10 | (14,944,161) | (4,001,788) |
| Total comprehensive income | | 14,875,294 | 17,937,873 |

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2013

| | R | R | R | R |
|---|----------------------------|--------------------------------|--------------------|---------------------------|
| | General reserve | Revaluation reserve | HIV reserve | Members' funds |
| 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 1 January 2013 | 155,291,695 | 8,290,847 | 17,462,452 | 181,044,994 |
| Surplus for the year | 18,146,101 | - | - | 18,146,101 |
| Unrealised gains on revaluation of available-for-sale investments | - | 11,673,354 | - | 11,673,354 |
| Net realised gains on available-for-sale investments recognised as other income | - | (14,944,161) | - | (14,944,161) |
| Transfer to HIV reserve | (1,529,365) | - | 1,529,365 | - |
| Balance at 31 December 2013 | 171,908,431 | 5,020,040 | 18,991,817 | 195,920,288 |

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 2013

| | Notes | 2013 R | 2012 R |
|---|-------|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Surplus for the year | | 18,146,101 | 15,021,652 |
| Adjustments for: | | | |
| - Investment income | 9 | (9,812,364) | (10,943,260) |
| - Investment management fees | | 757,715 | 377,197 |
| - Net realised gains on available-for-sale investments | 10 | (14,944,161) | (4,001,788) |
| - Net impairment (gains)/losses | | (43,763) | 23,096 |
| | | (5,896,472) | 476,897 |
| Decrease in trade and other receivables | | 1,061,018 | 172,651 |
| (Decrease)/increase in trade and other payables | | (4,683,187) | 269,208 |
| Increase in outstanding claims provision | | 1,699,939 | 2,078,925 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | | (7,818,702) | 2,997,681 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment income | 9 | 9,812,364 | 10,943,260 |
| Investment management fees | | (757,715) | (377,197) |
| Capitalised interest | | (9,617,104) | (9,931,342) |
| Additions | | (53,296,487) | (25,932,225) |
| Disposals | | 66,296,450 | 10,601,537 |
| NET CASH IN/(OUT) FLOW FROM INVESTING ACTIVITIES | | 12,437,508 | (14,686,967) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 4,618,806 | (11,689,287) |
| Cash and cash equivalents at beginning of the year | | 19,931,828 | 31,621,115 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | | 24,550,634 | 19,931,828 |

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013

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.

2. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

There have been no events that have occurred subsequent to the end of the accounting period that affect the Summarised Annual Financial Statement, and that the Trustees consider should be brought to the attention of the members of the Fund.

3. CONTINGENT LIABILITIES

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees, suretyships or alike at 31 December 2013.

4. CONTINGENT ASSET

At year end claims amounting to R1,766,705 (2012: R2,621,889) had been lodged with the Road Accident Fund relating to past medical expenses already paid, with the potential recovery value of R1,470,075 (2012: R2,181,655).

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 2013 (continued)

6. OUTSTANDING CLAIMS PROVISION

| | R | R |
|---|---|--|
| | Covered by risk transfer arrangements | Not covered by risk transfer arrangements |
| 2013 | | |
| Outstanding claims provision | 877,460 | 9,387,611 |
| Provision arising from liability adequacy test | - | - |
| | <u>877,460</u> | <u>9,387,611</u> |
| <i>Analysis of movements in outstanding claims</i> | | |
| Balance at beginning of year | 737,450 | 7,827,682 |
| Payments in respect of prior year | (737,450) | (7,592,144) |
| Over provision in respect of prior year | - | 235,538 |
| Adjustment for current year | 877,460 | 9,152,073 |
| Balance at end of year | <u>877,460</u> | <u>9,387,611</u> |
| <i>Analysis of outstanding claims provision</i> | | |
| Estimated gross claims | - | 9,387,611 |
| Outstanding claims provision relating to risk transfer arrangements | 877,460 | - |
| Balance at end of year | <u>877,460</u> | <u>9,387,611</u> |
| Total outstanding claims provision at end of year | | <u>10,265,071</u> |
| 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> |

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (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 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. 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:

| | 2013 | 2012 |
|-------------------------|-------------|-------------|
| Claims outstanding for: | % | % |
| December | 10% | 9% |
| November | 3% | 3% |
| October | 1% | 2% |
| September | 1% | 1% |
| August and prior | 1% | 1% |

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (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 2013 R | Change in liability 2012 R |
|--|---|---|
| Effect of a 1 percentage point change in all the assumed percentages | 724,086 | 571,041 |
| Effect of a 2 percentage point change in all the assumed percentages | 1,463,613 | 1,131,139 |
| Effect of a 3 percentage point change in all the assumed percentages | 2,219,042 | 1,821,229 |

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

7. NET CLAIMS INCURRED

Claims incurred, excluding claims incurred in respect of risk transfer arrangements

| | | |
|--|-------------|-------------|
| Current year claims | 182,118,444 | 168,715,190 |
| Movement in outstanding claims provision | 9,152,073 | 8,010,729 |
| - (Over)/under provision in prior years | (235,538) | 183,047 |
| - Year-end provision | 9,387,611 | 7,827,682 |
| Less: | | |
| - Discount received on claims | (129,230) | (180,563) |
| | 191,141,287 | 176,545,356 |

Claims incurred in respect of risk transfer arrangements

| | | |
|---------------------|------------|------------|
| Current year claims | 15,453,833 | 16,324,879 |
| Year-end provision | 877,460 | 737,450 |
| | 16,331,293 | 17,062,329 |

Third-party claim recoveries

| | | |
|--|-----------|-----------|
| Recoveries from the Road Accident Fund | (771,759) | (213,644) |
|--|-----------|-----------|

TOTAL NET CLAIMS INCURRED

| | | |
|--|-------------|-------------|
| | 206,700,821 | 193,394,041 |
|--|-------------|-------------|

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)

| 8. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS | 2013 | 2012 |
|--|-------------------|-------------------|
| | R | R |
| Premiums paid | | |
| - Metropolitan Health Risk Management (Pty) Ltd | 12,960,808 | 12,511,455 |
| - Metropolitan Health Risk Management (Pty) Ltd risk transfer arrangement profit share | (999,763) | (781,269) |
| - Under/(over) provision on prior year risk transfer arrangement profit share | 124,967 | (388,775) |
| - CareCross Health (Pty) Ltd | 7,337,681 | 6,681,781 |
| - Netcare 911 (Pty) Ltd | 807,702 | 718,885 |
| | <u>20,231,395</u> | <u>18,792,077</u> |
| Recoveries received | (16,331,293) | (17,062,329) |
| - Metropolitan Health Risk Management (Pty) Ltd | (8,786,408) | (8,977,235) |
| - CareCross Health (Pty) Ltd | (6,846,947) | (7,414,806) |
| - Netcare 911 (Pty) Ltd | (697,938) | (670,288) |
| | <u>3,900,102</u> | <u>1,729,748</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 accidents or sudden illness for the beneficiaries of the Plus and Extended options.

9. INVESTMENT INCOME

| | | |
|---|------------------|-------------------|
| Available-for-sale financial assets interest income | 8,400,939 | 10,235,354 |
| Dividends | 855,303 | - |
| Cash and cash equivalents interest income | 556,122 | 707,906 |
| | <u>9,812,364</u> | <u>10,943,260</u> |

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

| | | |
|--|-------------------|------------------|
| Realised gains on available-for-sale financial assets | 22,712,540 | 15,611,186 |
| Equity and derivatives | 13,524,132 | 15,021,758 |
| Bonds | 7,750,762 | 13,497 |
| Money market instruments | 1,437,647 | 575,931 |
| Realised losses on available-for-sale financial assets | (7,768,379) | (11,609,397) |
| Equity and derivatives | (706,681) | (2,087,906) |
| Bonds | (1,536,592) | - |
| Money market instruments | (5,525,105) | (9,521,491) |
| | <u>14,944,161</u> | <u>4,001,788</u> |

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (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.

| 2013 | CORE | PLUS | EXTENDED | TOTAL |
|--|------------------|-------------------|--------------------|-------------------|
| Contributions | 7,924,511 | 182,382,598 | 38,374,563 | 228,681,672 |
| Relevant healthcare expenditure | (7,337,681) | (160,225,988) | (43,037,254) | (210,600,923) |
| Net claims incurred | (6,877,533) | (155,398,077) | (44,425,211) | (206,700,821) |
| Net (expense)/income on risk transfer arrangements | (460,148) | (4,827,911) | 1,387,957 | (3,900,102) |
| Gross healthcare result | 586,830 | 22,156,610 | (4,662,691) | 18,080,749 |
| Managed care: | | | | |
| Management services | - | (3,033,598) | (318,811) | (3,352,409) |
| Administrative expenses | (884,282) | (17,854,832) | (1,884,042) | (20,623,156) |
| Impairment losses on trade and other receivables | 2,866 | 36,978 | 3,919 | 43,763 |
| Net healthcare result | (294,586) | 1,305,158 | (6,961,625) | (5,851,053) |
| Other income | 1,652,000 | 20,906,715 | 2,196,154 | 24,754,869 |
| Investment income | 654,822 | 8,287,028 | 870,514 | 9,812,364 |
| Net realised gains on available-for-sale investments | 997,288 | 12,621,086 | 1,325,787 | 14,944,161 |
| Sundry income | (110) | (1,399) | (147) | (1,656) |
| Other expenditure | (50,565) | (639,929) | (67,221) | (757,715) |
| Investment management fees | (50,565) | (639,929) | (67,221) | (757,715) |
| Surplus/(deficit) for the year | 1,306,849 | 21,571,944 | (4,732,692) | 18,146,101 |
| 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 |

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)

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

| 2012 (continued) | CORE | PLUS | EXTENDED | TOTAL |
|--|----------------|-------------------|--------------------|-------------------|
| 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 |

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 R4,732,692 (2012: R2,003,658). Refer to Note 14.

12. RELATED PARTY TRANSACTIONS

Related party relationships

Parties with significant influence over the Fund

Woolworths Holdings Ltd and Truworthe International Ltd have significant influence over the 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 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, a wholly-owned subsidiary of MHC, has significant influence over the Fund as managed care provider, but does not control the Fund.

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

Prescient Investment Management (Pty) Ltd (Prescient) has significant influence over the 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.

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

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 it comprises 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 2013 (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

| | 2013 | 2012 |
|--|------------------|------------------|
| <i>Compensation</i> | R | R |
| Principal Officer's fees | 518,904 | 491,856 |
| Contribution toward Fund Manager's remuneration | 287,673 | 272,028 |
| Medical advisor's fees | 413,273 | 391,716 |
| Trustee and committee members' remuneration | 88,260 | 68,558 |
| Seminar and travel expenses paid on behalf of Trustees | 1,243 | 8,698 |
| | <u>1,309,353</u> | <u>1,232,856</u> |

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

Statement of comprehensive income

| | | |
|------------------------------|---------|---------|
| Gross contributions received | 580,632 | 539,736 |
| Claims incurred | 868,448 | 383,769 |

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

Statement of financial position

| | | |
|--------------------------|--------------|----------|
| Trustee remuneration due | <u>6,895</u> | <u>-</u> |
|--------------------------|--------------|----------|

| 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

| | 2013 | 2012 |
|---|-------------|-------------|
| | R | R |
| Statement of comprehensive income | | |
| Administration fees paid to MHC | 16,258,472 | 15,416,175 |
| Managed care fees and capitation premiums paid to Metropolitan Health Risk Management | 15,687,421 | 15,101,954 |
| Capitation agreement profit share allocation from Metropolitan Health Risk Management | (999,763) | (781,269) |
| Over/(under) provision on prior year risk transfer arrangement profit share | 124,967 | (338,775) |
| Investment management fees paid to Prescient | 757,715 | 377,197 |
| Actuarial fees paid to Towers Watson | 1,050,596 | 995,832 |

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with entities that have significant influence over the Fund (continued)

| | 2013 | 2012 |
|---|-------------|-------------|
| | R | R |
| Statement of financial position | | |
| Actuarial fees due to Towers Watson | 87,550 | - |
| Provision for risk transfer agreement profit share due from Metropolitan Health Risk Management | 999,763 | 781,269 |
| Share of outstanding claims provision | 74,435 | 343,953 |
| Sundry payables and provisions | - | 15,550 |
| Available-for-sale investments | 1,099,616 | - |

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 Prescient investment management contract

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

Terms and conditions of the Coronation investment management contract

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

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.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)

13. FINANCIAL RISK MANAGEMENT

Fair value estimation

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

| | <i>Carrying amount</i> | | <i>Fair value</i> | |
|--------------------------------|------------------------|-------------|-------------------|-------------|
| | 2013 R | 2012 R | 2013 R | 2012 R |
| Financial assets | | | | |
| Available-for-sale investments | 179,732,455 | 171,441,960 | 179,732,455 | 171,441,960 |
| Cash and cash equivalents | 24,550,634 | 19,931,828 | 24,550,634 | 19,931,828 |
| Trade and other receivables | 2,589,620 | 3,606,875 | 2,589,620 | 3,606,875 |
| - Financial receivables | 471,872 | 1,586,351 | 471,872 | 1,586,351 |
| - Insurance receivables | 2,117,748 | 2,020,524 | 2,117,748 | 2,020,524 |
| Financial liabilities | | | | |
| Outstanding claims provision | 10,265,071 | 8,565,132 | 10,265,071 | 8,565,132 |
| Trade and other payables | 687,350 | 5,370,537 | 687,350 | 5,370,537 |
| - Insurance payables | 18,759 | 4,978,243 | 18,759 | 4,978,243 |
| - Financial payables | 668,591 | 392,294 | 668,591 | 392,294 |

Fair values of financial assets by hierarchy level

The table below and on the following page categorises the available-for-sale investments, measured at fair value, into three hierarchy levels:

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.

| 2013 | Level 1 R | Level 2 R | Level 3 R | Reclassification R | Total R |
|--------------------------------|--------------------|--------------|--------------|-----------------------|--------------------|
| Available-for-sale investments | | | | | |
| Money market instruments | 118,487,064 | - | - | - | 118,487,064 |
| Equity instruments | 43,676,170 | - | - | - | 43,676,170 |
| Bonds | 17,569,221 | - | - | - | 17,569,221 |
| | <u>179,732,455</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>179,732,455</u> |

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values of financial assets by hierarchy level (continued)

| 2012 | Level 1 R | Level 2 R | Level 3 R | Reclassification R | Total R |
|--------------------------------|--------------|--------------|--------------|-----------------------|-------------|
| Available-for-sale investments | | | | | |
| Money market instruments | 95,503,291 | - | - | - | 95,503,291 |
| Bonds | 75,938,669 | - | - | - | 75,938,669 |
| | 171,441,960 | - | - | - | 171,441,960 |

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

The Council for Medical Schemes (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 matters are accordingly disclosed:

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

Nature and impact

The Fund has obtained approval for registration of the Extended Option for the 2014 benefit year from the Registrar during October 2013 in terms of Section 33(2) of the Act. As per the submission approved by the Registrar, the Extended Option continues to be in a net deficit position. As at 31 December 2013, the deficit amounted to R4,732,692 (2012: R2,003,658) representing 2.07% (2012: 0.92%) 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 other options. This deficit position represents 12.33% (2012: 5.21%) of the Extended Option's annual contributions for 2013.

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.

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

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the scheme. The rules indicate that contributions should be received no more than three days after they become due. During the 2013 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 2013, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R18,036 (2012: R73,641). This amount represents 0.008% (2012: 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.

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

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

Corrective action

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

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

Nature and impact

In terms of the Medical Schemes Act and specifically Section 59(2), it is a requirement that claims should be paid within 30 days of receipt thereof. The contravention of the Act could lead to service providers no longer providing services needed by the Fund.

Cause of failure

There were four claims that were settled outside of the 30-day statutory timeframe and members were not notified. The total claim lines amounted to R 1,187.65. Claims were not paid within 30 days from date of receipt for the following reasons: delays from forensic intervention; cancelled cheque because the provider changed their name and because of claims backlog.

Corrective action

The Fund has acknowledged that there will always be claims that are not processed within the 30-days statutory timeframe, as there are claims that require extensive investigation which results in settlement of claims after 30 days. The On Hold report will be reviewed twice a month by the Claims Technical Specialist and long outstanding claims will be prioritised.

Regulation 8 of the Regulations issued in terms of the Medical Schemes Act – Prescribed Minimum Benefit (PMB) claims not paid in full

Nature and impact

In terms of the Regulation, the Fund must pay in full (without co-payment or the use of deductibles) the diagnosis, treatment and care costs of the PMB conditions.

Cause of failure

During 2013, four claim lines relating to PMB conditions were not settled in full and three were rejected. All seven of the claim lines were stamped as diagnosis and treatment pairs (DTPs) claims in the automatic system validation process.

Corrective action

The Fund pays PMB claims in terms of the Regulations. Where a dispute arises, it is investigated and appropriately remediated.

Section 28 of the Medical Schemes Act – Beneficiaries who are dependants in more than one scheme

Nature and impact

According to Section 28 of the Medical Schemes Act: No person shall – (a) be a member of more than one medical scheme; (b) be admitted as a dependant of – (i) more than one member of the particular medical scheme; or (ii) members of the different medical schemes; or (c) claim or accept benefits in respect of himself or herself or any dependant from any medical scheme other than the medical scheme he or she is a member of.

During 2013, there were two instances whereby beneficiaries were dependants in more than one medical scheme with the Fund's Administrator.

Cause of failure

The Administrator regularly checks for beneficiaries who are registered as dependants across more than one medical scheme, however, the Administrator's reporting process could not flag the particular beneficiaries as being dual-registered, and hence no action was taken by the Administrator to update the member records.

14. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT 131 OF 1998 (THE “ACT”) (CONTINUED)

Section 28 of the Medical Schemes Act – Beneficiaries who are dependants in more than one scheme (continued)

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 pensioner payroll administrators on the one hand and the Administrator on the other, this is not always possible.

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

Nature and impact

The Fund, through the Coronation Medical Aid Portfolio, holds investments in a participating employer as well as its Administrator. This is in contravention of Section 35(8) of the Act, as the Fund is not allowed to hold shares in the holding company of its Administrator or any participating employer, unless an exemption has been granted by the CMS.

Cause of failure

The Fund invests in a pooled portfolio and does not have control over the underlying assets.

Corrective action

The Fund received an exemption in November 2013 from the CMS from complying with section 35(8)(a) and (c), in so far as it relates to investments placed with asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund. The exemption is granted up until 31 December 2014.