



**NOTICE IS HEREBY GIVEN THAT THE FORTY-NINTH 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, 23 JUNE 2015 AT 14:00.**

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#### **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 24 June 2014
4. To adopt the annual report of the Board for the year ended 31 December 2014
5. To adopt the financial statements for the year ended 31 December 2014
6. To adopt the report of the auditors for the year ended 31 December 2014
7. To appoint the auditors for the ensuing year
8. To confirm the appointment of the Member-elected Trustees
9. To approve the Trustee Remuneration Policy
10. General

By order of the Board

**KEITH TITLEY**  
PRINCIPAL OFFICER

**MINUTES OF THE FORTY-EIGHTH 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, 24 JUNE 2014 AT 14:00**

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- **PRESENT:** 34 Members represented in person and two proxies were received
- **CHAIRPERSON:** Ms Z Rylands
- **PRINCIPAL OFFICER:** Mr K Titley
- **APOLOGIES:** Ms R Andrews and Mr G Scott

**1. OPENING AND 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 25 JUNE 2013**

Ms Malander proposed that the minutes of the 2013 AGM be approved and adopted.

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

The minutes of the forty-seventh AGM held on 25 June 2013 were signed as a true record of the proceedings.

**4. REPORT OF THE BOARD OF TRUSTEES (BOT) FOR THE YEAR ENDED 31 DECEMBER 2013**

The annual report of the BOT for the year ended 31 December 2013, having been circulated, was presented to the meeting.

**5. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

The Annual Financial Statements for the year ended 31 December 2013, having been circulated, were presented to the meeting.

The Chairperson expressed a vote of thanks to Metropolitan Health Corporate (Pty) Ltd and the Audit Committee for their work in reviewing the Annual Financial Statements, and for recommending the adoption of the Annual Financial Statements by the BOT.

**6. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2013**

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

Mr Gillman proposed that the audited financial statements, the report of the BOT, and the report of the auditors for the year ended 31 December 2013 be approved and adopted.

Mr du Plessis seconded the proposal, which was unanimously adopted.

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

The proposal by the BOT that the Fund renew the appointment of Ernst & Young Inc. as the external auditors to the Fund for the financial year ending 31 December 2014 was presented to the meeting.

Mr Hector proposed that the appointment of Ernst & Young Inc. as the external auditors to the Fund for the financial year ending 31 December 2014 be approved and adopted.

Mr du Plessis seconded the proposal, which was unanimously adopted.

**MINUTES OF THE FORTY-EIGHTH 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, 24 JUNE 2014 AT 14:00 (CONTINUED)**

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**8. APPOINTMENT OF MEMBER-ELECTED TRUSTEES**

The meeting noted that nominations for five members to be appointed as Woolworths Member-elected Trustees had been received from members in the employment of Woolworths and Unison in respect of two vacancies.

Following an election process, the appointment of the following two Woolworths Member-elected Trustees in terms of the Fund's rule 18.1.4.1 was presented for ratification:

- Mr Steve Latta
- Mr Thabang Magagula

The meeting ratified the above appointments.

The Chairperson welcomed Mr Latta and Mr Magagula as the new Woolworths Member-elected Trustees, and extended a special vote of thanks to the outgoing Woolworths Member-elected Trustees, Ms Foedoerovna and Ms Sacks, for their contribution to the Fund over the past three years.

**9. GENERAL**

No general items were raised for discussion.

**10. CLOSURE MEETING**

The Chairperson thanked the Principal Officer, the Fund Manager, the BOT 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 14:10.

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 2014**

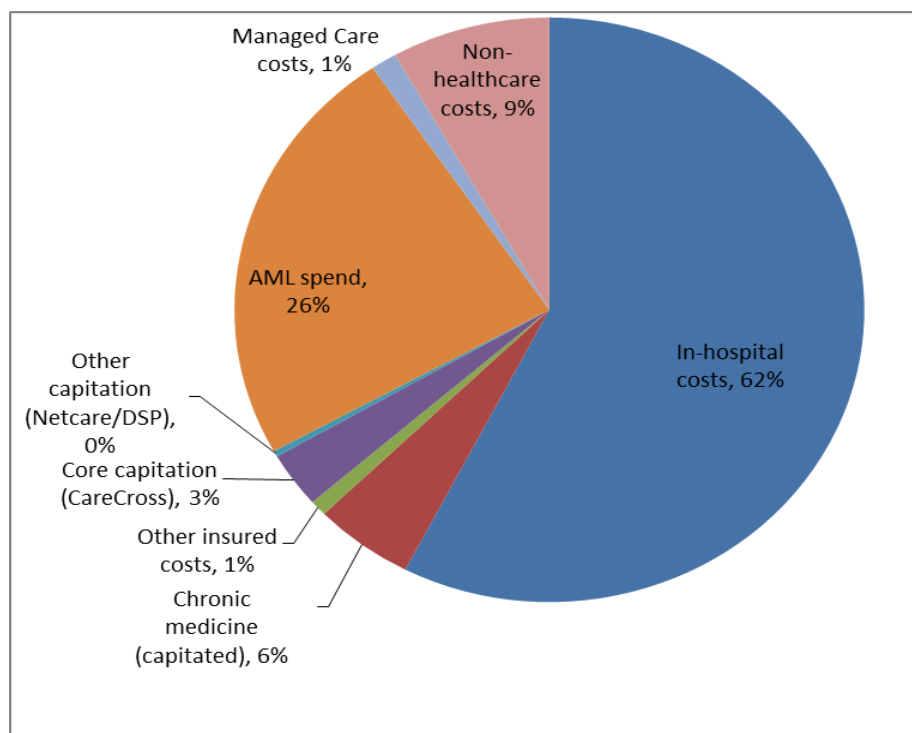
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**CHAIRPERSON'S REVIEW**

As Chairperson of the Board of Trustees (BOT) of the Wooltru Healthcare Fund (the Fund), I have pleasure in presenting the Board's report for the year ended 31 December 2014.

The Fund's net healthcare deficit (before investment income) for the year amounted to R20,4 million (2013: R5,9 million). The Core Option yielded a net healthcare surplus of R0,1 million (2013: R0,3 million deficit), while the Plus Option ended the year on a deficit of R10,3 million (2013: R1,3 million surplus), and the Extended Option ended the year reflecting a net healthcare deficit of R10,2 million (2013: R6,9 million deficit). Investment returns (net of fees) yielded R12,0 million for the year (2013: R24,0 million), which resulted in an overall deficit for the year of R8,4 million (2013: R18,1 million surplus).

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



Source: Towers Watson (Pty) Ltd

The main contributors to the exceptionally high operating deficits experienced on the Plus and Extended options for 2014 were:

- Plus Option: Total hospital claims exceeded budget by 9% due to both an unexpectedly high number of hospital visits as well as an usually large number of high-cost cases (R240,000 +); and
- Extended Option: The expected operating loss for the year was exacerbated by the cost of hospital claims which exceeded the budget by 13%.

As a result of the above deficits, the Fund's solvency ratio as at 31 December 2014 reduced to 71.8% (2013: 83.5%). The Fund nonetheless had total reserves of R190,7 million (2013: R195,9 million) at this date, and its solvency ratio compared favourably against the statutory minimum solvency level of 25%.

Notwithstanding these deficits, the Board confirms that the Fund remains financially sound and is confident that it is well positioned to meet its future challenges. In this regard, it should be noted that the Fund had investments and cash of R201 million (2013: R204 million) at 31 December 2014.

Contributions to the Fund were increased with effect from 1 January 2015 by, on average, 7.5%, 7.5% and 9.0% for the Core, Plus and Extended options respectively.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ended 31 December 2014 (continued)**

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**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 2014 were:

**1.1 Board of Trustees (BOT)**

<b>Employer appointed</b>	<b>Member elected</b>
Ms Z Rylands (Chairperson)	Mr J Gillman (Retiree representative)
Mr C Durham	Mr N Hlengwa
Ms S Malander	Mr S Latta
Mr S Pillay	Mr T Magagula
Mr R Buddle	Mr B Tate

The terms of office of Messrs Gillman, Hlengwa and Tate as Member/Retiree-appointed Trustees expire on 31 May 2015 and all are available for re-election. Formal appointments will be made at the Fund's 2015 Annual General Meeting.

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

**1.2 Fund committees**

- Audit Committee: Chairperson: Mr 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 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 limit (AML) from which to fund day-to-day benefits. The members are responsible for managing their own day-to-day expenses within the AML. Non-Prescribed Minimum Benefit (PMB) hospital benefits are limited to 100% of the Fund's Tariff and are subject to an upfront admission fee, except in the case of emergency or PMB admissions. PMB benefits must be obtained via a DSP to ensure full cover of costs incurred.

The **Extended Option** provides members with an annual medical limit (AML) from which to fund day-to-day benefits. The Extended Option makes provision for a materially higher AML than the Plus Option, but is more expensive. Non-PMB hospital benefits are limited to 300% of the Fund's Tariff, 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 accordance with the requirements of the Act and accompanying regulations, and in line with the relaxation of the limits of investment in equities granted to the Fund by the Registrar of Medical Schemes in 2008. In 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 any medical scheme administrator or any of its participating employers. This application was to facilitate the ownership of such shares at the sole discretion of the Fund's independent third-party asset managers, where such managers have full discretionary mandates and where the shares of such portfolios are not held directly in the name of the Fund.

As at 31 December 2014, the Fund's investible assets were split between the appointed asset managers as follows:

- Prescient Investment Management (Pty) Ltd (Prescient): 51%
- Coronation Asset Management (Pty) Ltd (Coronation): 49%

The Fund's asset managers had achieved the following investment returns (before fees) as at 31 December 2014 in respect of the portfolios in which the Fund was invested:

- Prescient: 2014 year: 8.08%, three years: 11.05%, five years: 9.83%
- Coronation: 2014 year: 9.07%, three years\*: 12.17%, five years\*: 11.95%\*
- Inflation: 2014 year: 5.31%, three years: 5.46%, five years: 5.19%

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

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 allocating the Fund's investments between two asset managers will continue to provide satisfactory real returns at a relatively low level of risk.

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

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ended 31 December 2014 (continued)**

**CHAIRPERSON'S REVIEW (CONTINUED)**

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

**4.1 Operational activities**

	<b>2014</b>	<b>2013</b>	<b>% change</b>
Number of members at year end	9,337	8,968	4.11%
Average number of members for the year	9,187	8,871	3.56%
Average contribution per member per month (R)	2,305	2,148	7.31%
Average claims incurred per member per month (R)	2,232	1,959	13.94%
Beneficiaries per member at 31 December	2.00	2.02	-0.99%
Average age of beneficiaries	30	29	3.45%
Pensioner ratio	15.85%	16.50%	-3.94%
Administration costs per member per month (R)	203	194	4.64%
Claims as a percentage of net contributions	96.84%	91.17%	6.22%
Administration expenses as a percentage of net contributions	8.82%	9.02%	-0.2%
Accumulated funds ratio (solvency margin) at year end	71.82%	83.48%	-13.97%

**4.2 Financial results**

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

**4.3 Net healthcare result per option**

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

	<b>2014</b>	<b>2013</b>
	<b>R'000</b>	<b>R'000</b>
Core	96	(294)
Plus	(10,356)	1,305
Extended	(10,159)	(6,862)
<b>Total (deficit)</b>	<b>(20,419)</b>	<b>(5,851)</b>

Although the Fund incurred operational deficits on both the Plus and Extended options for 2014, the Fund remains in an overall financially sound position. The Board has however initiated a five-year strategic planning process to identify areas where the Fund's benefit structures can be improved to reduce future operational losses.

**4.4 Reserves**

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

- to maintain the general reserve at 40% of annual contributions (the statutory minimum is 25%);
- to maintain the level of the HIV/AIDS reserve in line with the HIV actuarial risk assessments undertaken on behalf of the Fund by Towers Watson (the Fund's actuaries and consultants) from time to time;
- to utilise annual investment growth in excess of the consumer price index (CPI) plus 2% to subsidise the operations of the Fund, 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.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ended 31 December 2014 (continued)**

**CHAIRPERSON'S REVIEW (CONTINUED)**

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

**4.4 Reserves (continued)**

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

	2014 R'millions		2013 R'millions	
General reserve	101,6	40.0%	91,5	40.0%
HIV reserve	20,2	8.0%	19,0	8.3%
Surplus asset reserve	<u>60,7</u>	23.8%	<u>80,4</u>	35.1%
<b>Total members' funds</b>	<b><u>182,5</u></b>		<b><u>190,9</u></b>	
Solvency ratio at year end: (% of annual contributions)		<b><u>71.8%</u></b>		<b><u>83.5%</u></b>

**4.5 Outstanding claims**

Movements in the outstanding claims provision are set out in the summarised statement of financial position. 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 2014, detailing the benefits and contributions for 2015. In addition, members are encouraged to visit the Fund's website ([www.wooltruhealthcarefund.co.za](http://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 Risk Management Programme aims to help affected beneficiaries live longer, healthier and more productive lives. The benefits of this Programme include education and personal support from case managers, regular consultations, tests to monitor health and anti-retroviral therapy. The Programme is completely confidential and is run independently by Metropolitan Health Risk Management (Pty) Ltd and CareCross Health.

**7. INTERESTS OF OFFICE BEARERS**

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

**8. AUDIT COMMITTEE**

The Audit Committee was established in accordance with the provisions of the Act. The committee is mandated by the 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 and internal/external auditing.

The Audit Committee responsible for reviewing the 2014 audited Annual Financial Statements was:

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



**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ended 31 December 2014 (continued)**

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**CHAIRPERSON'S REVIEW (CONTINUED)**

**9. CONTRIBUTION INCREASES AND BENEFIT REVIEW**

Towers Watson, the Fund's actuaries, 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 various committee meetings where required.

**10. INDUSTRY DEVELOPMENTS**

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

**11. VOTE OF APPRECIATION**

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

**12. CONCLUSION**

Wooltru Healthcare Fund remains financially sound, and the Trustees are confident that the Fund will continue to serve its members as effectively and fairly as possible by facing up to the challenges thrown at us by the ever-changing South African healthcare environment. I would like to take this opportunity to wish all our members good health for the remainder of 2015 and beyond!

**Zyda Rylands**  
Chairperson  
May 2015

**WOOLTRU HEALTHCARE FUND  
SUMMARISED ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2014**

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

The summary financial statements of Wooltru Healthcare Fund, as set out on pages 26 to 39, which comprise the summary statement of financial position as at 31 December 2014, and the summary statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and related notes, are derived from the audited financial statements of Wooltru Healthcare Fund for the year ended 31 December 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 22 April 2015.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the summary financial statements, 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 the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

**Auditor's responsibility**

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards 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 2014 are consistent, in all material respects, with those financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.



**Ernst & Young Inc.**

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

22 April 2015  
Ernst & Young House  
35 Lower Long Street  
Cape Town

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

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

### **BOARD OF TRUSTEES**

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

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

### **INTERNAL CONTROL**

The Administrator, investment managers and actuaries of the Fund maintain internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the Fund's financial statements and to safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures, and are implemented by trained personnel with the appropriate segregation of duties.

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

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Ms S Malander  
Vice-Chairperson

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Mr C Durham  
Trustee

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Mr K Titley  
Principal Officer

22 April 2015

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2014**

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The Board of Trustees hereby presents its report for the year ended 31 December 2014.

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 during the year under review are as follows:

**Employer-appointed Trustees**

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

**Member-elected Trustees**

Ms J Foedoerovna	(Resigned 24 June 2014)
Mr J Gillman	(Retiree representative)
Mr N Hlengwa	
Mr S Latta	(Appointed 24 June 2014)
Mr T Magagula	(Appointed 24 June 2014)
Ms M Sacks	(Resigned 24 June 2014)
Mr B Tate	

**1.2 Principal Officer**

**Mr K Titley**

**Physical address**

15 Croft Road  
Constantia  
7806

**Postal address**

15 Croft Road  
Constantia  
7806

**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**

<b>Business address</b>	<b>Postal address</b>
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**

<b>Business address</b>	<b>Postal address</b>
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.**

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

**1.8 Actuaries: Towers Watson (Pty) Ltd**

<b>Business address</b>	<b>Postal address</b>
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 former Wooltru Ltd Group of companies. 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 2014 the Fund renewed the 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 risk transfer arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended options. This arrangement includes a profit sharing agreement whereby the Fund is entitled to 85% of the profit from 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 2014 an amount of R1,285,249 (2013: R999,763) was provided for as the profit allocation from this agreement.

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 2014.

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2014 (continued)**

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

**3.1 Operational activities**

**2014**

	<b>Core</b>	<b>Plus</b>	<b>Extended</b>	<b>Total</b>
Number of members at year end	678	7,920	739	9,337
Number of beneficiaries at year end	1,120	16,012	1,567	18,699
Average number of members for the year	648	7,786	753	9,187
Average number of beneficiaries for the year	1,072	15,783	1,592	18,447
Dependants to member ratio at year end	0.65	1.02	1.12	1.00
Average age of beneficiaries for the year	30	29	43	30
Pensioner ratio (%)	16.81	12.73	46.82	15.85
Risk contributions per average member per month (R)	1,234	2,187	4,448	2,305
Risk contributions per average beneficiary per month (R)	746	1,079	2,104	1,148
Relevant healthcare expenditure as a percentage of risk contributions (%)	88.35	92.84	119.23	96.84
Relevant healthcare expenditure per average member per month (R)	1,090	2,030	5,303	2,232
Relevant healthcare expenditure per average beneficiary per month (R)	659	1,002	2,508	1,112
Amounts paid to Administrator (R)	735,394	16,138,461	1,575,215	18,449,070
Average administration cost per member per month (R)				203
Average administration cost per beneficiary per month (R)				101
Administration cost as a percentage of risk contributions (%)	10.58	9.54	4.73	8.82
Average managed care expense per member per month (R)	-	58	58	54
Average managed care expense per beneficiary per month (R)	-	29	27	27
Non-healthcare expenditure as a percentage of risk contributions (%)	10.64	12.23	6.05	11.20
Accumulated funds per member at 31 December (R)				19,548
Realised return on investments as a percentage of investments (%)				5.98
Total return on investments (%)				8.09

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2014 (continued)**

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

**3.1 Operational activities (continued)**

**2013**

	<b>Core</b>	<b>Plus</b>	<b>Extended</b>	<b>Total</b>
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
Risk contributions per average member per month (R)	1,115	2,029	4,063	2,148
Risk contributions per average beneficiary per month (R)	660	997	1,911	1,063
Relevant healthcare expenditure as a percentage of risk contributions (%)	92.59	86.81	111.65	91.17
Relevant healthcare expenditure per average member per month (R)	1,033	1,761	4,537	1,959
Relevant healthcare expenditure per average beneficiary per month (R)	611	865	2,134	969
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 risk contributions (%)	11.16	9.79	4.91	9.02
Average managed care expense per member per month (R)	-	55	54	51
Average managed care expense per beneficiary per month (R)	-	27	26	25
Non-healthcare expenditure as a percentage of risk contributions (%)	11.12	12.47	6.24	11.38
Accumulated funds per member at 31 December (R)				21,287
Realised return on investments as a percentage of investments (%)				11.75
Total return on investments (%)				12.07

**3.2 Financial results**

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

**3.3 Solvency ratio**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
The solvency ratio is calculated on the following basis:		
General reserve	162,262,698	171,908,431
HIV reserve	20,257,635	18,991,817
Revaluation reserve	8,192,486	5,020,040
Total members' funds as per statement of financial position	190,712,819	195,920,288



**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2014 (continued)**

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

**3.3 Solvency ratio (continued)**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Less: Revaluation reserve	(8,192,486)	(5,020,040)
Accumulated funds	<u>182,520,333</u>	<u>190,900,248</u>
Contribution income per statement of comprehensive income	254,135,033	228,681,672
Accumulated funds as a percentage of risk contributions	<u>71.82%</u>	<u>83.48%</u>

The solvency ratios for both 2014 and 2013 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 risk contributions.

**3.4 Reserve accounts**

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

The HIV reserve is reviewed every three years and records funding set aside for current and potential future claims related to HIV and AIDS treatment. The last review was done during July 2014.

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 summarised 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 summarised 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 7 to the summarised financial statements on pages 31 to 33.

**4. INVESTMENT POLICY OF THE FUND**

Prescient Investment Management (Pty) Ltd (Prescient) and Coronation Asset Management (Pty) Ltd (Coronation) are the Fund's appointed investment managers. Prescient manages two portfolios for the Fund, namely a money market portfolio and a positive return portfolio. The Fund invests in compliance with the requirements of the Medical Schemes Act of 1998. In December 2009, the Trustees approved an updated investment policy, increasing the maximum allowable effective exposure to equities from 40% to 50% of the Fund's invested assets. The positive return portfolio managed by Prescient was changed to reflect the increased maximum for effective exposure to equities of 50%. As at 31 December 2014 the effective equity exposure of the positive return portfolio managed by Prescient amounted to 37.0% (2013: 40.4%) of the total amount invested. 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%.

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2014 (continued)**

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**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 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; and
- manage the Fund's investments within a risk constraint that avoids the likelihood of achieving a negative return of more than 5% of the Fund's invested assets over any calendar year.

The Fund's investment strategy is to:

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

**5. ACTUARIAL VALUATION**

An actuarial valuation is not required for the Fund due to the short-term nature of the Fund's assets and liabilities. The contribution tables set for the Fund are subject to an annual review by actuaries specialising in healthcare to ensure that the Fund remains in a financially sound position. The review of contributions for the 2015 year was set out in a report dated August 2014 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 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 summarised financial statements. The following matters are disclosed for information purposes only:

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

**Nature and impact**

The Fund has obtained approval for registration of the loss-making Extended and Plus options from the Registrar in terms of Section 33(2) of the Act. As per the submission approved by the Registrar, the Extended and Plus options were in net deficit positions. The deficit from the Plus Option amounted to R153,636 (2013: R21,571,944 – surplus) and the deficit from the Extended Option amounted to R9,172,070 (2013: R4,732,692). The total deficit from both options was R9,325,706 representing 4.0% (2013: 2.1%) of the aggregated risk contribution income of the Fund.

**Cause of failure**

The Extended Option is selected by most of the Fund's retired members as it offers more extensive benefits. The age profile of this option is therefore higher than that of the other options, resulting in higher claims per member than the other options. Its deficit represents 23.0% (2013: 12.3%) of the Extended Option's annual risk contribution income for 2014. The Plus Option deficit occurred because of unexpectedly high claims towards the end of the financial year. This deficit position represents 0.1% (2013: n/a) of the Plus Option's annual risk contribution income for 2014.

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

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

**Corrective action**

The Trustees continue to review the financial position of the Extended option and have considered closing it, but this would place a burden on the rest of the Fund and could mean that the Plus Option members, who comprise 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 available. The Trustees are satisfied that as a whole the Fund is financially sound.

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

**Nature and impact**

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the scheme. The rules indicate that contributions should be received no more than three days after they become due. During the 2014 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 2014, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R93,877 (2013: R18,036). This amount represents 0.03% (2013: 0.01%) of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Act.

**Cause of failure**

The contribution debtors at year end relate to membership changes after initial contributions were raised. 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**

Four claims were settled outside of the 30-day statutory timeframe due to clinical investigations. The total claim lines amounted to R3,877.25. The claims relate to claims processed before the implementation of an automated process to inform members and providers within 30 days of receipt of claims under investigation.

**Corrective action**

An automated process for notification of claims under investigation has been introduced and aims to improve the claims backlog and notify members in time.

***Section 28 of the Medical Schemes Act – Beneficiaries 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 2014, there were two instances whereby beneficiaries were registered in more than one medical scheme administered by the Fund's Administrator.

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

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

**Cause of failure**

The process of registering the resignation of the beneficiary took longer than expected due to communications with the Fund.

**Corrective action**

Communication with the relevant other affected medical schemes has been confirmed with the correct beneficiary details and the beneficiaries' resignations have been processed and claims histories corrected accordingly.

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

**Nature and impact**

The Fund, through Coronation Asset Management (Pty) Ltd and Prescient Investment Management (Pty) Ltd, holds investments in participating employers as well as holding companies of medical scheme administrators as at 31 December 2014. This is in contravention of Section 35(8)(a) and (c) of the Act, as the Fund is not allowed to hold shares in the holding company of an administrator or any participating employer.

**Cause of failure**

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

**Corrective action**

The Fund received an exemption in 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 and was subsequently extended until 31 December 2015.

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2014 (continued)**

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

The Fund, through the Coronation Pooled Portfolio, holds the following investments at fair value in participating employers as well as in the holding companies of medical scheme administrators at 31 December 2014:

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Truworths International Ltd	306,812	435,452
MMI Holdings Ltd	657,158	664,164
Woolworths Holdings Ltd	618,872	-
Sanlam Ltd	241,570	-
Discovery Holdings Ltd	64,612	-
	<u>1,889,024</u>	<u>1,099,616</u>

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

**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:

- 9 April 2014
- 13 August 2014
- 30 October 2014.

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

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

During the year under review, the Audit Committee comprised 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 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 2014 as follows:

- 23 January 2014
- 24 April 2014
- 23 July 2014
- 29 October 2014.

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2014 (continued)**

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**10. INVESTMENT COMMITTEE (CONTINUED)**

During the year under review, the Investment Committee comprised of:

- Mr P Wannenburg	Chairperson/Non-trustee
- Ms K van der Merwe	Non-trustee
- Mr R Buddle	Trustee
- Mr T Magagula	Trustee (Appointed 20 August 2014)
- Ms S Malander	Trustee
- Mr A Narshi	Non-trustee (Alternate to Ms K van der Merwe – appointed 1 May 2014)

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 2014.

During the year under review, the Disputes Committee comprised of:

- Ms T Sishuba-Mashego	Woolworths Holdings Ltd
- Ms H Drabbe	Truworhts 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 2014, as follows:

- 23 January 2014
- 23 April 2014
- 23 July 2014
- 29 October 2014.

During the year under review, the Benefits Committee comprised of:

- Ms S Malander	Chairperson/Trustee
- Mr J Gillman	Trustee
- Ms J Foedoerovna	Trustee (Resigned 24 June 2014)
- Mr S Latta	Trustee (Appointed 20 August 2014)
- 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 2014 (continued)**

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**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 met on four occasions during 2014 as follows:

- 5 February 2014
- 19 May 2014
- 17 July 2014
- 5 November 2014.

During the year under review, 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 A Brandes    | Fund Administrator's representative (Appointed 31 October 2014) |
| - Ms C Bunn       | Fund Administrator's representative (Resigned 31 October 2014)  |
| - Ms J Combrink   | Fund actuaries' representative                                  |
| - Mr F Mbumbwa    | 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 met once during 2014 on 5 November 2014.

- |                 |  |
|-----------------|--|
| - Dr A Davidson | Medical Advisor and Chairperson                                |
| - Ms J Wolhuter | Fund Manager   |
| - Mr B Tate     | Trustee  |
| - Mr J Gillman  | Trustee  |
| - Ms A Brandes  | Fund Administrator's representative                            |
| - Ms C Bunn     | Fund Administrator's representative (Resigned 31 October 2014) |
| - Mr F Mbumbwa  | Fund actuaries' representative                                 |
| - Ms J Combrink | Fund actuaries' representative                                 |

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2014 (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	
Trustees	A	B	A	B	A	B	A	B	A	B	A	B
Mr R Buddle	5	2	4	2	3	0						
Mr C Durham	5	4			3	2						
Ms J Foedoerovna	3	3					2	0				
Mr J Gillman	5	4					4	4			1	1
Mr N Hlengwa	5	5							4	3		
Ms S Malander	5	5	4	4			4	4				
Mr S Pillay	5	4							4	2		
Ms Z Rylands	5	4										
Ms M Sacks	3	1										
Mr S Latta	2	2					2	0				
Mr T Magagula	2	2	1	0								
Mr B Tate	5	5									1	0
<b>Committee members</b>												
Mr D Crisp					3	3						
Ms J Wolhuter									4	4	1	1
Dr A Davidson									4	4	1	1
Ms K van der Merwe			4	2								
Mr A Narshi (alternate to Ms K van der Merwe)			2	2								
Ms J Combrink									3	3		
Mr F Mbumbwa									1	1	1	1
Ms C Bunn									3	3		
Ms A Brandes									1	1	1	1
Ms N van Soelen									4	4		
Mr C du Plessis							4	3				
Ms Z Ganie					3	3						
Mr E Rood	1	1			3	3						
Mr M Smith							4	3				
Mr G Scott	5	4										
Mr P Wannenburg			4	3	3	3						

**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 14.

**WOOLTRU HEALTHCARE FUND**  
**SUMMARISED STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2014

	Notes	2014 R	2013 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Available-for-sale investments	10	78,179,154	63,876,323
<b>Current assets</b>			
Trade and other receivables		125,986,601	142,996,386
Available-for-sale investments	10	3,019,427	2,589,620
Cash and cash equivalents		106,092,933	115,856,132
		16,874,241	24,550,634
<b>Total assets</b>		204,165,755	206,872,709
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b> (refer to page 28)			
General reserve		190,712,819	195,920,288
HIV reserve		162,262,698	171,908,431
Revaluation reserve		20,257,635	18,991,817
		8,192,486	5,020,040
<b>Current liabilities</b>			
Trade and other payables		13,452,936	10,952,421
Outstanding claims provision	7	611,220	687,350
		12,841,716	10,265,071
<b>Total funds and liabilities</b>		204,165,755	206,872,709

**WOOLTRU HEALTHCARE FUND**  
**SUMMARISED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2014

		2014	2013
	Notes	R	R
	5		<b>RESTATED</b>
<b>Risk contribution income</b>		254,135,033	228,681,672
<b>Relevant healthcare expenditure</b>		(246,103,578)	(208,508,014)
Net claims incurred	8	(244,471,494)	(206,700,821)
Risk claims incurred		(244,473,529)	(207,472,580)
Third-party claim recoveries		2,035	771,759
Net expense on risk transfer arrangements	9	(1,632,084)	(1,807,193)
Premiums paid on risk transfer arrangements		(19,956,733)	(18,138,486)
Recoveries received on risk transfer arrangements		18,324,649	16,331,293
<b>Gross healthcare result</b>		8,031,455	20,173,658
Managed care: Management services	13	(5,955,626)	(5,445,318)
Administration and other expenses	13	(22,414,108)	(20,623,156)
Net impairment (losses)/gains on trade and other receivables	13	(80,711)	43,763
<b>Net healthcare result</b>		(20,418,990)	(5,851,053)
<b>Other income</b>		12,889,550	24,754,869
Investment income	11	11,202,056	9,812,364
Net realised gains on available-for-sale investments	12	1,686,019	14,944,161
Sundry income/(expense)	13	1,475	(1,656)
<b>Other expenditure</b>		(850,474)	(757,715)
Investment management fees	13	(850,474)	(757,715)
<b>Net (deficit)/surplus for the year</b>		(8,379,915)	18,146,101
<b>Other comprehensive income</b>			
<b>Items that will be reclassified to surplus or deficit on realisation</b>			
Net unrealised gains on revaluation of available-for-sale investments		4,858,465	11,673,354
Net realised gains on available-for-sale investments recognised as other income		(1,686,019)	(14,944,161)
<b>Total comprehensive (loss)/income for the year</b>		(5,207,469)	14,875,294

**WOOLTRU HEALTHCARE FUND**  
**SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES**  
**for the year ended 31 December 2014**

	R	R	R	R
	<b>General reserve</b>	<b>Revaluation reserve</b>	<b>HIV reserve</b>	<b>Members' funds</b>
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	-
<b>Balance at 1 January 2014</b>	<b>171,908,431</b>	<b>5,020,040</b>	<b>18,991,817</b>	<b>195,920,288</b>
Deficit for the year	(8,379,915)	-	-	(8,379,915)
Unrealised gains on revaluation of available-for-sale investments*	-	4,858,465	-	4,858,465
Net realised gains on available-for-sale investments recognised as other income*	-	(1,686,019)	-	(1,686,019)
Transfer to HIV reserve	(1,265,818)	-	1,265,818	-
<b>Balance at 31 December 2014</b>	<b>162,262,698</b>	<b>8,192,486</b>	<b>20,257,635</b>	<b>190,712,819</b>

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

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

**WOOLTRU HEALTHCARE FUND**  
**SUMMARISED STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2014**

	Notes	2014 R	2013 R
(Deficit)/surplus for the year		(8,379,915)	18,146,101
Adjustments for:			
- Investment income	11	(11,202,056)	(9,812,364)
- Investment management fees		868,933	770,939
- Net realised gains on available-for-sale investments	12	(1,686,019)	(14,944,161)
- Net impairment losses/(gains) on trade and other receivables		80,711	(43,763)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<u>(20,318,346)</u>	<u>(5,883,248)</u>
(Increase) in net trade and other receivables		(505,301)	(70,820)
Decrease in trade and other payables		(76,130)	(4,683,187)
Increase in outstanding claims provision		2,576,645	1,699,939
<b>NET CASH OUT FLOW FROM OPERATING ACTIVITIES</b>		<u>(18,323,132)</u>	<u>(8,937,316)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on cash and cash equivalents		646,739	556,122
Additions to available-for-sale investments		-	(77,000,000)
Disposals of available-for-sale investments		10,000,000	90,000,000
<b>NET CASH IN FLOW FROM INVESTING ACTIVITIES</b>		<u>10,646,739</u>	<u>13,556,122</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(7,676,393)</u>	<u>4,618,806</u>
Cash and cash equivalents at beginning of the year		24,550,634	19,931,828
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<u>16,874,241</u>	<u>24,550,634</u>

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2014**

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**1. PRINCIPAL ACCOUNTING POLICIES**

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

**1.1 Basis of preparation**

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

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

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 2014.

**4. CONTINGENT ASSET**

At year end, claims amounting to R1,849,683 (2013: R1,766,705) had been lodged with the Road Accident Fund relating to past medical expenses already paid, with the potential recovery value of R1,539,121 (2013: R1,470,075).

**5. PRIOR YEAR RESTATEMENT/ADJUSTMENT**

In 2014 the Fund identified that R2,092,909 relating to managed care expenses has been incorrectly allocated to risk transfer premiums in the year ending 31 December 2013. The financial statements for 2013 have been restated to correct this error, the effect of which is to decrease risk transfer premiums by R2,092,909 with a corresponding increase in managed care expenses. There was no impact on the net surplus reported for the 2013 year. A similar error occurred in the 2012 year, but it was not material to the 2012 financial statements.

**6. 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 2014 (continued)**

**7. OUTSTANDING CLAIMS PROVISION**

	R	R
	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
<b>2014</b>		
Outstanding claims provision	1,015,603	11,826,113
Provision arising from liability adequacy test	-	-
	<u>1,015,603</u>	<u>11,826,113</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	877,460	9,387,611
Payments in respect of prior year	(877,460)	(8,873,623)
Over provision in respect of prior year	-	513,988
Adjustment for current year	1,015,603	11,312,125
Balance at end of year	<u>1,015,603</u>	<u>11,826,113</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	11,826,113
Outstanding claims provision relating to risk transfer arrangements	1,015,603	-
Balance at end of year	<u>1,015,603</u>	<u>11,826,113</u>
Total outstanding claims provision at end of year		<u>12,841,716</u>
<b>2013</b>		
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>

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2014 (continued)**

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

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

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

*Assumptions*

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

	<b>2014</b>	<b>2013</b>
Claims outstanding for:	%	%
December	9%	10%
November	4%	3%
October	1%	1%
September	0%	1%
August and prior	0%	1%



**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2014 (continued)**

**7. 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:*

	<b>Change in liability 2014 R</b>	<b>Change in liability 2013 R</b>
Effect of a 1 percentage point change in all the assumed percentages	929,055	724,086
Effect of a 2 percentage point change in all the assumed percentages	1,877,781	1,463,613
Effect of a 3 percentage point change in all the assumed percentages	2,418,418	2,219,042

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

**8. NET CLAIMS INCURRED**

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

Current year claims	215,252,511	182,118,444
Movement in outstanding claims provision	11,312,125	9,152,073
- (Over) provision in prior years	(513,988)	(235,538)
- Year-end provision	11,826,113	9,387,611
Less:		
- Discount received on claims	(415,756)	(129,230)
	<u>226,148,880</u>	<u>191,141,287</u>

**Claims incurred in respect of risk transfer arrangements**

Current year claims	17,309,046	15,453,833
Year-end provision	1,015,603	877,460
	<u>18,324,649</u>	<u>16,331,293</u>

**Third-party claim recoveries**

Recoveries from the Road Accident Fund	(2,035)	(771,759)
	<u>(2,035)</u>	<u>(771,759)</u>

**TOTAL NET CLAIMS INCURRED**

	<u>244,471,494</u>	<u>206,700,821</u>
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**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2014 (continued)**

<b>9. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
		<b>RESTATED</b>
Premiums paid		
- Metropolitan Health Risk Management (Pty) Ltd	11,864,735	10,867,899
- Metropolitan Health Risk Management (Pty) Ltd risk transfer arrangement profit share	(1,285,249)	(999,763)
- Under provision on prior year risk transfer arrangement profit share	1,160	124,967
- CareCross Health (Pty) Ltd	8,480,304	7,337,681
- Netcare 911 (Pty) Ltd	895,783	807,702
	<u>19,956,733</u>	<u>18,138,486</u>
Recoveries received	(18,324,649)	(16,331,293)
- Metropolitan Health Risk Management (Pty) Ltd	(9,759,441)	(8,786,408)
- CareCross Health (Pty) Ltd	(7,751,639)	(6,846,947)
- Netcare 911 (Pty) Ltd	(813,569)	(697,938)
	<u>1,632,084</u>	<u>1,807,193</u>

Refer to Note 5 for details on the prior year restatement/adjustment.

*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 risk transfer arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended options. This arrangement includes a profit sharing arrangement whereby the Fund is entitled to 85% of the profit from the risk transfer arrangement 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.

<b>10. AVAILABLE-FOR-SALE INVESTMENTS</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Bonds	23,922,006	17,569,221
Equity	53,647,468	43,676,170
Money market instruments	106,702,613	118,487,064
	<u>184,272,087</u>	<u>179,732,455</u>

The available-for-sale investments are held in a segregated portfolio with Prescient as well as a pooled portfolio with Coronation. The fair values of these investments are based on market value at 31 December 2014.

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

**11. INVESTMENT INCOME**

Interest income on available-for-sale financial assets	8,855,234	8,400,939
Dividend income on available-for-sale financial assets	1,700,083	855,303
Interest income on cash and cash equivalents	646,739	556,122
	<u>11,202,056</u>	<u>9,812,364</u>

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2014 (continued)**

<b>12. NET REALISED GAINS/(LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Realised gains on available-for-sale financial assets	9,532,382	22,712,540
Equity and derivatives	8,278,473	13,524,132
Bonds	82,194	7,750,762
Money market instruments	1,171,715	1,437,647
Realised losses on available-for-sale financial assets	(7,846,363)	(7,768,379)
Equity and derivatives	(3,665,743)	(706,681)
Bonds	-	(1,536,592)
Money market instruments	(4,180,621)	(5,525,105)
	1,686,019	14,944,161

The realised gains arising in the 2013 year were inflated as a result of the once-off gains realised on transfer of approximately half of the Fund's investment portfolio from Prescient to Coronation during January 2013.

**13. SURPLUS/(DEFICIT) PER BENEFIT OPTION**

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

<b>2014</b>	<b>CORE</b>	<b>PLUS</b>	<b>EXTENDED</b>	<b>TOTAL</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Risk contribution income</b>	9,598,047	204,342,944	40,194,042	254,135,033
<b>Relevant healthcare expenditure</b>	(8,480,304)	(189,701,789)	(47,921,485)	(246,103,578)
Net claims incurred	(7,801,135)	(187,158,142)	(49,512,217)	(244,471,494)
Net (expense)/income on risk transfer arrangements	(679,169)	(2,543,647)	1,590,732	(1,632,084)
<b>Gross healthcare result</b>	1,117,743	14,641,155	(7,727,443)	8,031,455
Managed care:				
Management services	-	(5,430,501)	(525,125)	(5,955,626)
Administrative expenses	(1,105,604)	(19,498,927)	(1,899,577)	(22,414,108)
Impairment losses on trade and other receivables	(5,729)	(68,409)	(6,573)	(80,711)
<b>Net healthcare result</b>	96,410	(10,356,682)	(10,158,718)	(20,418,990)
<b>Other income</b>	909,383	10,923,819	1,056,348	12,889,550
Investment income	790,327	9,493,678	918,051	11,202,056
Net realised gains on available-for-sale investments	118,852	1,428,891	138,176	1,686,019
Sundry income	104	1,250	121	1,475
<b>Other expenditure</b>	(60,002)	(720,773)	(69,700)	(850,474)
Investment management fees	(60,002)	(720,773)	(69,700)	(850,474)
<b>Surplus/(deficit) for the year</b>	<b>945,791</b>	<b>(153,636)</b>	<b>(9,172,070)</b>	<b>(8,379,915)</b>

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2014 (continued)**

**13. SURPLUS/(DEFICIT) PER BENEFIT OPTION (CONTINUED)**

<b>2013 Restated</b>	<b>CORE</b>	<b>PLUS</b>	<b>EXTENDED</b>	<b>TOTAL</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Risk contribution income</b>	7,924,511	182,382,598	38,374,563	228,681,672
<b>Relevant healthcare expenditure</b>	(7,337,681)	(158,326,993)	(42,843,340)	(208,508,014)
Net claims incurred	(6,877,533)	(155,398,077)	(44,425,211)	(206,700,821)
Net (expense)/income on risk transfer arrangements	(460,148)	(2,928,916)	1,581,871	(1,807,193)
<b>Gross healthcare result</b>	586,830	24,055,605	(4,468,777)	20,173,658
Managed care:				
Management services	-	(4,932,594)	(512,724)	(5,445,318)
Administrative expenses	(884,282)	(17,854,832)	(1,884,042)	(20,623,156)
Impairment gains on trade and other receivables	2,866	36,978	3,919	43,763
<b>Net healthcare result</b>	(294,586)	1,305,157	(6,861,624)	(5,851,053)
<b>Other income</b>	1,652,000	20,906,716	2,196,153	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)	(1,398)	(148)	(1,656)
<b>Other expenditure</b>	(50,565)	(639,929)	(67,221)	(757,715)
Investment management fees	(50,565)	(639,929)	(67,221)	(757,715)
<b>Surplus/(deficit) for the year</b>	<b>1,306,849</b>	<b>21,571,944</b>	<b>(4,732,692)</b>	<b>18,146,101</b>

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. Refer to Note 5 for details of the 2013 restatement.

**14. RELATED PARTY TRANSACTIONS**

**Related party relationships**

**Parties with significant influence over the Fund**

Woolworths Holdings Ltd and Truworths International Ltd have significant influence over the 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.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2014 (continued)**

**14. RELATED PARTY TRANSACTIONS (CONTINUED)**

**Related party relationships (continued)**

**Parties with significant influence over the Fund (continued)**

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 by the Fund on a fee or remuneration contribution basis (Principal Officer, Fund Manager and Medical Advisor) and some of which are compensated on an attendance basis (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 such Trustees are full-time employees of the participating employers. No close family members of key management personnel are involved in the management of the Fund.

**Transactions with related parties**

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

Key management personnel

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<i>Compensation</i>		
Principal Officer's fees	550,080	518,904
Contribution towards Fund Manager's remuneration	304,110	287,673
Medical Advisor's fees	481,987	413,273
Trustees' and committee members' remuneration	93,580	88,260
Seminar and travel expenses paid on behalf of Trustees	-	1,243
	<u>1,429,757</u>	<u>1,309,353</u>

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

**Statement of comprehensive income**

Risk contributions received	655,680	580,632
Claims incurred	620,739	868,448

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

**Statement of financial position**

Trustee remuneration due	<u>-</u>	<u>6,895</u>
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**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2014 (continued)**

**14. RELATED PARTY TRANSACTIONS (CONTINUED)**

**Transactions with related parties (continued)**

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

*Other transactions*

**Transactions with entities that have significant influence over the Fund**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>Statement of comprehensive income</b>		
Administration fees paid to MHC	17,824,997	16,258,472
Managed care fees and capitation premiums paid to Metropolitan Health Risk Management	17,137,156	15,687,421
Capitation agreement profit share allocation from Metropolitan Health Risk Management	(1,285,249)	(999,763)
Under provision on prior year risk transfer arrangement profit share	1,160	124,967
Investment management fees paid to Prescient and Coronation	850,475	757,715
Actuarial fees paid to Towers Watson	1,113,634	1,050,596
Catering expenses due to Woolworths (Pty) Ltd	14,474	-
<b>Statement of financial position</b>		
Actuarial fees due to Towers Watson	(92,803)	(87,550)
Provision for risk transfer agreement profit share due from Metropolitan Health Risk Management	1,285,249	999,763
Share of outstanding claims provision	(193,222)	(119,672)
Catering fees due to Woolworths (Pty) Ltd	(14,474)	-
Available-for-sale investments	1,582,842	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.

**14. RELATED PARTY TRANSACTIONS (CONTINUED)**

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

**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 REMUNERATION POLICY**

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### **1. INTRODUCTION**

This document contains the current Wooltru Healthcare Fund (the Fund) Remuneration Policy in respect of independent Trustees/committee members as agreed by the Board of Trustees (BOT) on 25 February 2015.

### **2. REMUNERATION ELIGIBILITY**

Trustees/committee members who are full-time employees of the participating employers receive no remuneration from the Fund. Currently only one (the continuation Member-appointed Trustee) of the 10 appointed Trustees is remunerated by the Fund. Of the Fund's various committee members, only two independent members of the Audit Committee are remunerated by the Fund.

### **3. REMUNERATION POLICY**

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

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

The remunerated Trustees/committee members are expected to prepare for meetings, whether attending or not, and will be expected to remain abreast of the activities and business of the Fund. However, meeting fees will only be payable for meetings which the Trustees/committee members attend.

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

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

### **4. REMUNERATION**

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

### **5. REMUNERATION REVIEW**

The BOT will review the Remuneration Policy annually or more regularly should circumstances so demand.

### **6. ANNUAL GENERAL MEETING**

The Fund's Remuneration Policy will be tabled at each Annual General Meeting of the Fund for approval.

Signed on behalf of the Board of Trustees:

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Chairperson of the Board of Trustees

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Vice-Chairperson of the Board of Trustees



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

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**ANNEXURE 1**

**2015 CALENDAR YEAR: REMUNERATION STRUCTURE FOR INDEPENDENT TRUSTEES/COMMITTEE MEMBERS**

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

<b>Category</b>	<b>Per meeting fee*</b>	<b>Annual fee*</b>
Continuation Member Trustee	R7,750 x 5 meetings	R38,750
Independent Chairperson – Audit Committee	R9,300 x 4 meetings	R37,200
Independent Member – Audit Committee	R7,750 x 3 meetings	R23,250

\*Note: VAT not applicable

## NOTES

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