



**NOTICE IS HEREBY GIVEN THAT THE FORTY-SIXTH ANNUAL GENERAL MEETING OF WOOLTRU HEALTHCARE FUND WILL BE HELD IN THE AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 26 JUNE 2012 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 7 June 2011
4. To adopt the annual report of the Board for the year ended 31 December 2011
5. To adopt the financial statements for the year ended 31 December 2011
6. To adopt the report of the auditors for the year ended 31 December 2011
7. To appoint the auditors for the ensuing year
8. General

By order of the Board

**KEITH TITLEY**  
PRINCIPAL OFFICER

**MINUTES OF THE FORTY-FIFTH 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, 7 JUNE 2011 AT 14:00**

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- **Present:** 27 members represented in person and 16 proxies received
- **Chairperson:** Ms S Malander
- **Principal Officer:** Mr K Titley
- **Apologies:** Ms Z Rylands

**1. CHAIRPERSON'S WELCOME**

The Chairperson opened the meeting and welcomed those present.

A special word of welcome was directed to Dr Davidson, the Fund's Medical Advisor, Mr Scott, the Fund's Actuary, and the representatives of Metropolitan Health Group (Pty) Ltd, the Fund's Administrators.

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

**2. NOTICE OF THE MEETING**

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

**3. CONFIRMATION OF MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 8 JUNE 2010**

Mr P Bazlinton proposed that the minutes of the 2010 Annual General Meeting be approved and adopted.

Mr R Buddle seconded the proposal, which was then unanimously adopted.

The minutes of the forty-fourth Annual General Meeting held on 8 June 2010 were signed as a true record of the proceedings.

**4. REPORT OF THE BOARD OF TRUSTEES (BOT) FOR THE YEAR ENDED 31 DECEMBER 2010**

The annual report of the BOT for the year ended 31 December 2010, having been circulated, was presented to the meeting.

**5. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

The Annual Financial Statements for the year ended 31 December 2010, having been circulated, were presented to the meeting.

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

**6. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2010**

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

Ms J Wolhuter proposed that the audited financial statements, the report of the Trustees, and the report of the auditors for the year ended 31 December 2010 be approved and adopted.

Mr P Bazlinton seconded the proposal, which was then unanimously adopted.

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

The Trustees' proposal that the Fund renew the appointment of Ernst & Young Inc. as the external auditors to the Fund for the financial year ending 31 December 2011 was presented to the meeting.

Ms J Foedoerovna proposed that the appointment of Ernst & Young Inc. as the external auditors to the Fund for the financial year ending 31 December 2011 be approved and adopted.

Ms Abernethy seconded the proposal, which was unanimously adopted.

**MINUTES OF THE FORTY-FIFTH 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, 7 JUNE 2011 AT 14:00 (CONTINUED)**

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

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

- Ms J Foedoerovna
- Ms M Sacks

Ms Wata proposed that the above appointments to the Fund be approved and adopted.

Mr R Buddle seconded the proposal, which was unanimously adopted.

**9. GENERAL**

No general items were raised for discussion.

**10. CLOSURE OF MEETING**

The Chairperson thanked the members for their attendance and the Trustees and Administrator for their contribution to the Fund over the past year.

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

**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 2011**

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**CHAIRPERSON'S REVIEW**

As Chairperson of the Board of Trustees (BOT) of the Fund, I have pleasure in presenting the Board's report for the year ended 31 December 2011.

The Fund's net healthcare surplus for the year amounted to R1,7 million compared to the 2010 deficit of R6,5 million. The Core option ended the year at an almost break-even position with a small surplus of R0,2 million (2010: R0,4 million), while the Plus option result improved significantly yielding a surplus of R6,5 million (2010: R1,8 million deficit). The Extended option once again ended with a deficit of R5,0 million (2010: R5,0 million deficit). Net investment returns yielded R7,5 million for the year, resulting in an overall surplus for the year of R9,3 million (2010: R5,7 million). The Fund's solvency ratio as at 31 December 2011 was 78.05% (2010: 79.14%).

As reported in the 2010 Chairperson's Review, the findings of an investigation undertaken by the Fund's actuaries into the ongoing operating deficits being experienced on the Extended option indicated that closing the Extended option would be detrimental to members on the Plus option. The Board thus decided not to close the Extended option as this would not be in the interest of the majority of the Fund's members. This remains the Board's strategy and the operating deficits being experienced on the Extended option are being effectively managed in the context of the total Fund's operating results.

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

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

At 31 December 2011, the Fund's reserve position was as follows:

	<b>R'millions</b>	
	<b>2011</b>	<b>2010</b>
General reserve	80,8	75,0
HIV reserve	16,1	14,7
Revaluation reserve	5,4	1,4
Surplus asset reserve	60,8	58,8
<b>Total members' funds</b>	<b>163,1</b>	<b>149,9</b>

Contributions were increased by 5.5%, 8.5% and 12.0% for the Core, Plus and Extended options respectively, with effect from 1 January 2012.

Following the merger between Metropolitan and Momentum, our Administrator, Metropolitan Health Corporate (Pty) Ltd (MHC), combined its business with that of Momentum Medical Scheme Administrators (MMSA), and established a new consolidated health management division, Metropolitan Health Risk Management (Pty) Ltd. This merger will allow the new group to extract synergies from two strong organisations, which should result in an improved service delivery to the Fund. We wish the new entity every success for the future.

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

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ended 31 December 2011 (continued)**

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

**1. GOVERNANCE**

**1.1 BOT in office since the Annual General Meeting in 2011:**

<b>Employer appointed</b>	<b>Member elected</b>
Z Rylands (Chairperson)	P Bazlinton (Retiree representative)
C Durham	N Hlengwa
S Malander	M Sacks
S Pillay	B Tate
R Buddle	J Foedoerovna

**1.2 Principal Officer: K Titley (independent)**

Medical Advisor: Dr A Davidson (Independent)  
Actuary: G Scott (Towers Watson)  
Fund Manager: J Wolhuter (Woolworths)

**1.3 Registered office address:**

<b>Business address:</b>	<b>Postal address:</b>
Town Square 61 St George's Mall Cape Town 8001	PO Box 15403 Vlaeberg 8018

**1.4 Scheme Administrator:**

<b>Business address</b>	<b>Postal address</b>
Metropolitan Health Corporate (Pty) Ltd 61 St George's Mall Cape Town 8001	PO Box 4313 Cape Town 8000

**2. DESCRIPTION OF SCHEME**

**2.1 Terms of registration**

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

**2.2 Fund benefit options**

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

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

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

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

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ended 31 December 2011 (continued)**

**3. INVESTMENT POLICY OF THE FUND**

The BOT has continued to invest funds in line with the requirements of the Act, and in line with the relaxation of the limits of investment in equities granted to the Fund by the Registrar of Medical Schemes in 2008. The Fund's investments have been managed by Prescient Investment Management (Pty) Ltd (Prescient) since May 2002 and have achieved an annualised return of 13.8% per annum (against inflation of 6%) since inception. A depressed investment environment continued through 2011, and the Fund's investment portfolio achieved an annual return of 8.3% against the inflation rate of 6.2%, which is well below the Fund's upper target level of CPI plus 5%. Prescient's investment mandate is to generate real returns over time, while at the same time protecting the portfolio from downside risk (i.e. capital protection) so that 95% of the capital is protected over any calendar year.

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

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

**4.1 Operational activities**

	<b>2011</b>	<b>2010</b>	<b>% on PY</b>
Number of members at year end	8,946	8,858	0.99%
Average number of members for the year	8,888	8,842	0.52%
Average contribution per member per month	1,895	1,768	7.18%
Average claims incurred per member per month	1,674	1,632	2.57%
Beneficiaries per member at 31 December	2.05	2.06	-0.49%
Average age of beneficiaries	30	30	0.00%
Pensioner ratio	14.11%	14.20%	-0.63%
Administration costs per member per month	176	166	6.02%
Claims as a percentage of net contributions	88.36%	92.30%	-4.30%
Administration expenses as a percentage of net contributions	9.28%	9.38%	-1.07%
Accumulated funds ratio (solvency margin) at year end	78.05%	79.14%	-1.38%

**4.2 Financial results**

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

**4.3 Net healthcare result per option**

The net healthcare result (operating result) per option for 2011 (before investment returns) was as follows:

	<b>R'000</b>
Core	166,467
Plus	6,541,468
Extended	(4,958,320)
<b>Total Fund surplus</b>	<u>1,749,615</u>

The draft Medical Schemes Amendment Bill will, if approved, remove the current requirement that each benefit option must be self-funding and require instead that each option will not jeopardise the financial soundness of the medical scheme as a whole or any existing benefit options within the medical scheme. Although the Fund incurred an operational deficit on the Extended option for 2011, the surplus returns on the Core and Plus options, together with the investment income earned over the year, ensured that the Fund remains in an overall financially sound position, as has been the case for many years.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND**

**for the year ended 31 December 2011 (continued)**

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

**4.4 Reserves**

See page 4.

**4.5 Outstanding claims**

Movements in the outstanding claims provision are set out in the statement of financial position. There have been no unusual movements 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 2011, detailing the benefits and contributions for 2012. In addition, members are encouraged to regularly visit the Fund's website ([www.wooltruhealthcarefund.co.za](http://www.wooltruhealthcarefund.co.za)), hosted by the Administrator, for information relating to the rules of the Fund and other pertinent information.

**6. HIV/AIDS PROGRAMME**

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

**7. INTEREST IN THE ADMINISTRATOR**

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

**8. AUDIT COMMITTEE**

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

The Audit Committee responsible for reviewing the 2011 audit and Annual Financial Statements was:

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

**9. CONTRIBUTION INCREASES AND BENEFIT REVIEW**

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

**10. INDUSTRY DEVELOPMENTS**

The proposed introduction of a National Health Insurance (NHI) system for South Africa is progressing slowly. There are, however, no definitive proposals requiring action at this stage. The Council for Medical Schemes' (CMS) interpretation of payment in respect of PMB legislation is still being challenged, however, the Fund remains relatively unaffected due to the existence of its DSP network, which provides full cover for PMBs.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE**

**10. INDUSTRY DEVELOPMENTS (CONTINUED)**

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

**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**

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

We wish our members good health for 2012!

**Zyda Rylands**  
Chairperson

May 2012



**WOOLTRU HEALTHCARE FUND  
SUMMARISED ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2011**

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

The accompanying summarised financial statements, which comprise the summarised statement of financial position as at 31 December 2011, the summarised statement of comprehensive income, summarised statement of changes in funds and reserves, and summarised statement of cash flows for the year ended, and related notes, are derived from the audited financial statements of the Wooltru Healthcare Fund for the year ended 31 December 2011. We expressed an unmodified opinion on those financial statements in our report dated 25 April 2012. Those financial statements and the summarised financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

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

**Trustees' responsibility for the summary financial statements**

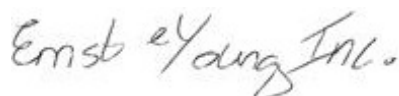
The Trustees are responsible for the preparation of the summary of the audited financial statements in accordance with IAS 34 Interim Financial Reporting and Circular 38 of 2007 issued by the Council for Medical Schemes.

**Auditor's responsibility**

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

**Opinion**

In our opinion, the summarised financial statements derived from the audited financial statements of Wooltru Healthcare Fund for the year ended 31 December 2011 are consistent, in all material respects, with those financial statements, in accordance with IAS 34 Interim Financial Reporting and Circular 38 of 2007 issued by the Council for Medical Schemes.



**Ernst & Young Inc.**

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

Cape Town  
31 May 2012

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2011**

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The Board of Trustees (BOT) hereby presents its report for the year ended 31 December 2011.

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

**1. MANAGEMENT**

**1.1 Board of Trustees (BOT)**

There were no resignations or appointments of Trustees during the year. The names of the Trustees in office as at 31 December 2011 are as follows:

**Employer-appointed Trustees**

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

**Member-elected Trustees**

Mr N Hlengwa  
Mr P Bazlinton (Retiree representative)  
Mr B Tate  
Ms M Sacks  
Ms J Foedoerovna

**1.2 Principal Officer**

**Mr K Titley**

**Physical address**

15 Croft Road  
Constantia  
7806

**Postal address**

PO Box 50345  
Waterfront  
8002

**1.3 Registered office address**

**Business address**

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

**Postal address**

Wooltru Healthcare Fund  
PO Box 15403  
Vlaeberg  
8018

**Country of registration and domicile:** South Africa

**1.4 Scheme Administrator: Metropolitan Health Corporate (Pty) Ltd**

**Business address**

Town Square  
61 St George's Mall  
Cape Town  
8001

**Postal address**

PO Box 4313  
Cape Town  
8000

Accreditation number: 17

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2011 (continued)**

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**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 7966	PO Box 31142 Tokai 7966

Financial services provider number: 2545

**1.6 Principal participating employers**

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

**1.7 Auditors: Ernst & Young Inc.**

<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  
(Formerly Fifth Quadrant Actuaries and Consultants (Pty) Ltd)**

<b>Business address</b>	<b>Postal address</b>
Great Westerford Building 2nd Floor, Suite 2, South Wing 240 Main Road Rondebosch 7700	Private Bag X30 Rondebosch 7700

**2. DESCRIPTION OF THE FUND**

**2.1 Terms of registration**

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

**2.2 Options within the Wooltru Healthcare Fund**

The Fund offers three benefit options to members:

- Core
- Plus
- Extended.

**2.3 Risk transfer arrangements**

During 2011 the Fund re-entered into risk transfer arrangements with CareCross Health, Metropolitan Health Risk Management (Pty) Ltd and Netcare 911 (Pty) Ltd.

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

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2011 (continued)**

**2. DESCRIPTION OF THE FUND (CONTINUED)**

**2.3 Risk transfer arrangements (continued)**

The Metropolitan Health Risk Management arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended options. This agreement includes a profit sharing arrangement whereby the Fund is entitled to 65% of the risk transfer profits in excess of 5% of the annual capitation premiums. The Fund does not participate in a loss. This agreement has been effective from 1 January 2010. For the year ended 31 December 2011 an amount of R847,875 (2010: R766,635) was provided for as the profit allocation from this agreement. Refer to Note 8 of the summarised Annual Financial Statements.

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

**2.4 Changes in operating environment**

There have been no significant changes in the Fund's operating environment during 2011.

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

**3.1 Operational activities**

**2011**

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

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2011 (continued)**

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

**3.1 Operational activities (continued)**

2010

	Core	Plus	Extended	Total
Number of members at year end	626	7,280	952	8,858
Number of beneficiaries at year end	1,137	14,986	2,042	18,165
Average number of members for the year	604	7,264	974	8,842
Average number of beneficiaries for the year	1,108	14,955	2,092	18,155
Number of new members	98	810	23	931
Number of members leaving	134	766	49	949
Dependants to member ratio at year end	0.82	1.06	1.14	1.05
Average age of beneficiaries for the year	30	29	39	30
Pensioner ratio (%)	17.09	10.71	38.97	14.20
Net contributions per average member per month (R)	1,051	1,655	3,056	1,768
Net contributions per average beneficiary per month (R)	573	804	1,423	861
Relevant healthcare expenditure as a percentage of gross contributions (%)	84.91	88.95	107.56	92.33
Relevant healthcare expenditure per average member per month (R)	892	1,472	3,286	1,632
Relevant healthcare expenditure per average beneficiary per month (R)	486	715	1,530	795
Amounts paid to Administrator (R)	556,169	12,527,635	1,680,373	14,764,177
Average administration cost per member per month (R)				166
Average administration cost per beneficiary per month (R)				81
Administration cost as a percentage of net contributions (%)	9.83	10.29	5.58	9.38
Average managed care expense per member per month (R)	-	32	29	30
Average managed care expense per beneficiary per month (R)	-	16	14	14
Non-healthcare expenditure as a percentage of contributions (%)	9.93	12.30	6.57	11.11
Accumulated funds per member at 31 December (R)				16,758
Return on investments as a percentage of investments (%)				7.70

**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**

	2011 R	2010 R
The solvency ratio is calculated on the following basis:		
General reserve	141,671,467	133,728,139
HIV reserve	16,061,028	14,714,624
Revaluation reserve	5,374,626	1,432,463
Total members' funds as per statement of financial position	163,107,121	149,875,226

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2011 (continued)**

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

**3.3 Solvency ratio (continued)**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
Less: Revaluation reserve	(5,374,626)	(1,432,463)
Accumulated funds	<u>157,732,495</u>	<u>148,442,763</u>
Contribution income per statement of comprehensive income	202,094,716	187,579,453
Accumulated funds/gross contribution income x 100	<u>78.05%</u>	<u>79.14%</u>

The solvency ratios for both 2011 and 2010 reflected above were calculated using accumulated funds (including the HIV reserve) as required by the CMS. The minimum solvency ratio required by the CMS is 25%. At the BOT meeting dated 26 August 2003, a decision was taken to maintain a general reserve of not less than 40% of annualised contributions.

**3.4 Reserve accounts**

Movements in the reserves are set out in the statement of changes in funds and reserves on page 21.

The HIV reserve is actually determined and records additional funds set aside for the claims related to HIV and AIDS treatment.

The revaluation reserve records fair value changes on available-for-sale investments. Changes in the fair value of available-for-sale investments are recognised in the revaluation reserve, as well as in the statement of comprehensive income as other comprehensive income or expenditure, when they are unrealised. Once an available-for-sale investment is sold, the realised portion of the fair value gain or loss is included as other income or expenditure in the statement of comprehensive income. There have been no unusual movements in reserves that the Trustees believe should be brought to the attention of the members of the Fund.

**3.5 Outstanding claims provision**

The outstanding claims provision is calculated based on historic claim trends and patterns, and the method of calculation is consistent with that of previous years. Movements on the outstanding claims provision are set out in Note 6 to the summarised Annual Financial Statements on pages 24 to 26.

**4. INVESTMENT POLICY OF THE FUND**

The Fund invests funds in compliance with the requirements of the Act. Prescient Investment Management (Pty) Ltd (Prescient) has managed the Fund's investments since 23 May 2002. In December 2009, the Trustees approved an updated mandate of the investment managers, increasing the maximum allowable effective exposure to equities from 40% to 50% of the total amount invested. Although this is higher than the 40% stipulated by the Act, permission was granted for up to 60% equity exposure by the CMS. As at 31 December 2011 the total equity exposure amounted to 23.85% (2010: 12.35%) of the total amount invested.

The investment mandate 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). During April 2006 the Trustees resolved that a maximum of 15% of the assets of the capital protection portfolio could be invested in international interest bearing assets, and that a Collective Investment Scheme may be utilised by the investment managers to attain international exposure. The function of managing the working capital of the Fund was also extended to the investment managers in May 2006, to be managed in line with Annexure B of Regulation 29 of the Act.

**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 2011 review report was dated 1 September 2011 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 Annual Financial Statements and that the Trustees consider should be brought to the attention of the members of the Fund.

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

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

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

**Nature and impact**

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance, and will be financially sound. As at 31 December 2011, the Extended option was in a deficit position, thereby contravening Section 33(2) of the Act. The deficit amounted to R4,176,991 (2010: R3,704,009) representing 12.06% (2010: 1.97%) of the consolidated contributions of the Fund.

**Cause of failure**

The Extended option houses most of the Fund's retired members as it offers more extensive benefits. The age profile of this option is higher than that of the other options resulting in higher claims per member than other options. This deficit position represents 11.22% (2010: 10.37%) of the Extended option's annual contributions for 2011.

**Corrective action**

The Trustees continue to review the financial position of this option and have considered closing it, but this would place a burden on the rest of the Fund and could mean that the Plus option members, who comprise 83% of the Fund membership, would have to absorb higher contribution increases in future. It is thus in the interest of the Plus option members to keep the Extended option separate. The Trustees are satisfied that as a whole the Fund is financially sound.

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

**Nature and impact**

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the scheme. The rules indicate that contributions should be received no more than three days after they become due. During the 2011 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 2011, there were contribution debtors outstanding for more than 30 days to the amount of R25,418. This amount represents less than 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 are outstanding due 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.

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

***Non-compliance with S8(2) of the Act – Co-payments applied to Prescribed Minimum Benefit (PMB) claims***

**Nature and impact**

The claim was in respect of a PMB service provided by a non-Designated Service Provider. The claim should have been paid at the full Fund tariff of R450, however, the claim was only partially paid because the balance of the member's Annual Medical Limit (AML) was R104 at the time that the claim was processed, and this was the amount that was refunded to the member. This was in contravention of Section 8(2) of the Act.

**Cause of failure**

The claims system is not programmed to split claims between two benefit pools (AML and Insured Benefits) and could therefore not pay the balance of R346 from the PMB Care Plan automatically. This shortfall should have been corrected manually once the member's AML was exhausted and the PMB Care Plan was initiated. This was not done and thus the balance of R346 was not refunded to the member.

**Corrective action**

This claim has subsequently been revisited and the balance of R346 has been refunded to the member from the PMB Care Plan. The Administrator has subsequently implemented a reporting system to identify any partially paid claims from AML in order to identify any short payment on PMB claims. Any such claim will now be processed and the shortfall will be paid from the PMB Care Plan Insured Benefit.

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

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

**9. AUDIT COMMITTEE**

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

- 7 April 2011
- 3 August 2011
- 21 October 2011.

The Administrator and the External Auditors attend all Committee meetings. The External Auditors have unrestricted access to the Chairperson of the Committee.

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

At 31 December 2011 the Audit Committee comprised:

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



**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2011 (continued)**

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**10. INVESTMENT COMMITTEE**

An Investment Committee was established during 2005. The Chairperson of the Committee is a representative of the actuaries to the Fund. 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 one member must be independent. The Investment Committee met on four occasions during 2011, as follows:

- 18 January 2011
- 19 April 2011
- 19 July 2011
- 18 October 2011.

At 31 December 2011, the Investment Committee comprised:

- |                   |                         |
|-------------------|-------------------------|
| - Mr G Scott      | Chairperson/Independent |
| - Mr P Wannenburg | Non-trustee             |
| - Mr R Buddle     | Trustee                 |
| - Ms S Malander   | Trustee                 |

**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 2011.

At 31 December 2011, the Disputes Committee comprised:

- |               |                            |
|---------------|----------------------------|
| - Ms C Lowe   | Woolworths Holdings Ltd    |
| - Ms H Drabbe | Truworhs 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 three occasions during 2011, as follows:

- 7 June 2011
- 19 July 2011
- 15 August 2011.

At 31 December 2011, the Benefits Committee comprised:

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

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2011 (continued)**

**13. TRUSTEE AND COMMITTEE MEETING ATTENDANCE**

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

Trustee/Committee member	Board meetings		Investment Committee meetings		Audit Committee meetings		Benefits Committee meetings	
	5		4		3		3	
Number of meetings for the year	A	B	A	B	A	B	A	B
<b>Trustees</b>								
Ms S Malander	5	4	4	4			3	3
Mr C Durham	5	4			3	3		
Ms Z Rylands	5	5						
Mr R Buddle	2	3	4	4	2	2		
Mr N Hlengwa	5	5						
Mr S Pillay	5	4						
Ms M Sacks	5	4						
Mr P Bazlinton	5	5					3	3
Mr B Tate	5	4						
Ms J Foedoerovna	5	4					3	3
<b>Committee members</b>								
Ms Z Ganie*					3	1		
Mr C du Plessis							3	3
Mr D Crisp					3	3		
Mr P Wannenburg			4	3	3	3		
Mr E Rood	1	1			3	3		
Mr M Smith							3	3

\* Ms Z Ganie was on maternity leave during 2011.

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

**B:** Actual number of meetings attended

**14. MANAGEMENT OF INSURANCE RISK**

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

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management as well as the monitoring of emerging issues. In addition to this, certain risks are mitigated by entering into risk transfer arrangements as set out in paragraph 2.3 on pages 11 and 12.

**WOOLTRU HEALTHCARE FUND**  
**SUMMARISED STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2011

	Notes	2011 R	2010 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Available-for-sale investments		106,729,310	121,641,818
<b>Current assets</b>			
Trade and other receivables		3,802,622	3,367,761
Available-for-sale investments		32,541,610	16,110,561
Cash and cash equivalents		31,621,115	20,218,355
<b>Total assets</b>		<u>174,694,657</u>	<u>161,338,495</u>
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b> (refer to page 21)			
General reserve		141,671,467	133,728,139
HIV reserve		16,061,028	14,714,624
Revaluation reserve		5,374,626	1,432,463
<b>Current liabilities</b>			
Trade and other payables		5,101,329	4,842,591
Outstanding claims provision	6	6,486,207	6,620,678
<b>Total funds and liabilities</b>		<u>174,694,657</u>	<u>161,338,495</u>

**WOOLTRU HEALTHCARE FUND**  
**SUMMARISED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2011

	Notes	2011 R	2010 R
<b>Contribution income</b>		202,094,716	187,579,453
<b>Relevant healthcare expenditure</b>		(178,574,425)	(173,193,997)
Net claims incurred	7	(175,702,728)	(170,353,238)
Claims incurred		(176,505,404)	(170,462,047)
Third-party claim recoveries		802,676	108,809
Net expense on risk transfer arrangements	8	(2,871,697)	(2,840,759)
Premiums paid on risk transfer arrangements		(18,426,998)	(18,152,646)
Recoveries received on risk transfer arrangements		15,555,301	15,311,887
<b>Gross healthcare result</b>		23,520,291	14,385,456
Managed care: Management services		(3,020,899)	(3,155,041)
Administration and other expenses		(18,745,510)	(17,588,141)
Net impairment losses on trade and other receivables		(4,267)	(103,249)
<b>Net healthcare result</b>		1,749,615	(6,460,975)
<b>Other income</b>		9,566,405	12,472,473
Investment income		9,559,640	9,900,223
Net realised gains on available-for-sale financial investments	10	-	2,555,176
Sundry income		6,765	17,074
<b>Other expenditure</b>		(2,026,288)	(290,808)
Net realised losses on available-for-sale investments		(1,726,165)	-
Investment management fees		(300,123)	(290,808)
<b>Net surplus for the year</b>		9,289,732	5,720,690
<b>Other comprehensive income/(expenditure)</b>			
Unrealised gains on revaluation of available-for-sale investments		2,215,998	801,490
Net realised losses/(gains) on available-for-sale investments recognised as other expenditure/(income)		1,726,165	(2,555,176)
<b>Total comprehensive income</b>		13,231,895	3,967,004

**WOOLTRU HEALTHCARE FUND**  
**SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES**  
**for the year ended 31 December 2011**

	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
	<b>General reserve</b>	<b>Revaluation reserve</b>	<b>HIV reserve</b>	<b>Members' funds</b>
Balance at 1 January 2010	129,398,824	3,186,149	13,323,249	145,908,222
Surplus for the year	5,720,690	-	-	5,720,690
Unrealised gains on revaluation of available-for-sale investments	-	801,490	-	801,490
Net realised gains on available-for-sale investments recognised as other income	-	(2,555,176)	-	(2,555,176)
Transfer to HIV reserve	(1,391,375)	-	1,391,375	-
<b>Balance at 1 January 2011</b>	<b>133,728,139</b>	<b>1,432,463</b>	<b>14,714,624</b>	<b>149,875,226</b>
Surplus for the year	9,289,732	-	-	9,289,732
Unrealised gains on revaluation of available-for-sale investments	-	2,215,998	-	2,215,998
Net realised losses on available-for-sale investments recognised as other expenditure	-	1,726,165	-	1,726,165
Transfer to HIV reserve	(1,346,404)	-	1,346,404	-
<b>Balance at 31 December 2011</b>	<b>141,671,467</b>	<b>5,374,626</b>	<b>16,061,028</b>	<b>163,107,121</b>

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

**WOOLTRU HEALTHCARE FUND  
SUMMARISED STATEMENT OF CASH FLOWS  
for the year ended 31 December 2011**

	Notes	2011 R	2010 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year		9,289,732	5,720,690
Adjustments for:			
- Investment income	9	(9,559,640)	(9,900,223)
- Investment management fees		300,123	290,808
- Net realised losses/(gains) on available-for-sale investments	10	1,726,165	(2,555,176)
- Net impairment losses		4,267	103,249
		1,760,647	(6,340,652)
Increase in trade and other receivables		(439,128)	(1,065,047)
Increase in trade and other payables		258,738	4,385,284
Decrease in outstanding claims provision		(134,471)	(553,982)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		1,445,786	(3,574,397)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	9	9,559,640	9,900,223
Investment management fees		(300,123)	(290,808)
Capitalised interest		(8,647,057)	(8,937,832)
Additions		(66,831,854)	(74,408,473)
Disposals		76,176,368	81,127,167
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		9,956,974	7,390,277
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		11,402,760	3,815,880
Cash and cash equivalents at beginning of the year		20,218,355	16,402,475
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		31,621,115	20,218,355

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2011**

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**1. PRINCIPAL ACCOUNTING POLICIES**

The summarised financial statements are prepared using the recognition and measurement principles of International Financial Reporting Standards and the presentation and disclosure requirements of IAS 34 Interim Financial Reporting and Circular 38 of 2007, issued by the Council for Medical Schemes (CMS).

**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.

**Amendments to standards adopted in the current year**

*IAS 1 Presentation of financial statements (clarified) - effective 1 January 2011*

The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The Fund's financial statements have not been impacted by these amendments.

*IAS 24 Related party disclosure (amended) - effective 1 January 2011*

The IASB issued amendments to clarify the definition of a related party and simplify the disclosure requirements for government-related entities. The Fund's financial statements have not been impacted by these amendments.

*IFRS 7 Financial instruments: Disclosures (amended) - effective 1 January 2011*

The amendment seeks to enhance the disclosure of liquidity risks and maturities relating to financial instruments. The Fund's financial statements have not been impacted by these amendments.

**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 Annual Financial Statements 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 2011.

**4. CONTINGENT ASSET**

At year end claims amounting to R2,915,945 (2010: R2,894,379) had been lodged with the Road Accident Fund relating to past medical expenses already paid, with the potential recovery value of R2,557,292 (2010: R2,455,433).

**5. AUDITED ANNUAL FINANCIAL STATEMENTS**

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

**Business address**

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

**Postal address**

Wooltru Healthcare Fund  
PO Box 15403  
Vlaeberg  
8018

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2011 (continued)**

**6. OUTSTANDING CLAIMS PROVISION**

	<b>R</b>	<b>R</b>
	<b>Covered by risk transfer arrangements</b>	<b>Not covered by risk transfer arrangements</b>
<b>2011</b>		
Outstanding claims provision	943,524	5,542,683
Provision arising from liability adequacy test	-	-
	<u>943,524</u>	<u>5,542,683</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	1,082,293	5,538,385
Payments in respect of prior year	(1,082,293)	(5,952,197)
Under provision in respect of prior year	-	(413,812)
Adjustment for current year	943,524	5,956,495
Balance at end of year	<u>943,524</u>	<u>5,542,683</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	5,542,683
Outstanding claims provision relating to risk transfer arrangements	943,524	-
Balance at end of year	<u>943,524</u>	<u>5,542,683</u>
Total outstanding claims provision at end of year		<u>6,486,207</u>
<b>2010</b>		
Outstanding claims provision	1,082,293	5,538,385
Provision arising from liability adequacy test	-	-
	<u>1,082,293</u>	<u>5,538,385</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	932,698	6,241,962
Payments in respect of prior year	(932,698)	(6,247,461)
Under provision in respect of prior year	-	(5,499)
Adjustment for current year	1,082,293	5,543,884
Balance at end of year	<u>1,082,293</u>	<u>5,538,385</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	5,538,385
Outstanding claims provision relating to risk transfer arrangements	1,082,293	-
Balance at end of year	<u>1,082,293</u>	<u>5,538,385</u>
Total outstanding claims provision at end of year		<u>6,620,678</u>



**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2011 (continued)**

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**6. OUTSTANDING CLAIMS PROVISION (CONTINUED)**

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

**Assumptions and sensitivities**

*Process used to determine the assumptions*

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

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

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

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

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

*Assumptions*

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

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

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

	<b>2011</b>	<b>2010</b>
Claims outstanding for:	%	%
December	11%	10%
November	4%	5%
October	2%	2%
September	1%	less than 1%
August and prior	less than 1%	less than 1%

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2011 (continued)**

**6. OUTSTANDING CLAIMS PROVISION (CONTINUED)**

**Assumptions and sensitivities (continued)**

*Changes in assumptions and sensitivities to changes in key variables*

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

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

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

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

	<b>Change in liability 2011 R</b>	<b>Change in liability 2010 R</b>
Effect of a 1 percentage point change in assumed percentage	610,405	574,550
Effect of a 2 percentage point change in assumed percentage	1,233,979	1,161,291
Effect of a 3 percentage point change in assumed percentage	1,870,836	1,761,412

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

**7. NET CLAIMS INCURRED**

	<b>2011 R</b>	<b>2010 R</b>
<b>Claims incurred, excluding claims incurred in respect of risk transfer arrangements</b>		
Current year claims	155,223,814	149,643,321
Adjustment for current year	5,956,495	5,543,884
- Under provision in prior years	413,812	5,499
- Year-end provision	5,542,683	5,538,385
Less:		
- Discount received on claims	(230,206)	(37,045)
	160,950,103	155,150,160
<b>Claims incurred in respect of risk transfer arrangements</b>		
Current year claims	14,611,777	14,229,594
Year-end provision	943,524	1,082,293
	15,555,301	15,311,887
<b>Third-party claim recoveries</b>		
Recoveries from the Road Accident Fund	(802,676)	(108,809)
	(802,676)	(108,809)
<b>Total net claims incurred</b>	175,702,728	170,353,238

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2010 (continued)**

<b>8. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS</b>	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
Premiums paid		
- Metropolitan Health Risk Management	12,108,733	11,846,501
- Metropolitan Health Risk Management capitation agreement profit share allocation	(847,875)	(766,635)
- CareCross Health	6,513,284	6,467,178
- Netcare 911	652,856	605,602
	<u>18,426,998</u>	<u>18,152,646</u>
Recoveries received	(15,555,301)	(15,311,887)
- Metropolitan Health Risk Management	(8,570,388)	(8,484,729)
- CareCross Health	(6,385,855)	(6,164,164)
- Netcare 911	(599,058)	(662,994)
	<u>2,871,697</u>	<u>2,840,759</u>

*Overview of terms and conditions of risk transfer agreements:*

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

The Metropolitan Health Risk Management (formerly Qualsa Healthcare (Pty) Ltd) risk transfer arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended options. This agreement includes a profit/loss sharing arrangement whereby the Fund is entitled to 65% of the risk transfer profits in excess of 5% of the annual capitation premiums. In the case of a loss on the risk transfer arrangement the Fund will bear 65% of the loss.

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

<b>9. INVESTMENT INCOME</b>	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
Available-for-sale investments interest income	8,765,798	9,134,118
Cash and cash equivalents interest income	793,842	766,105
	<u>9,559,640</u>	<u>9,900,223</u>

<b>10. NET REALISED (LOSSES)/GAINS ON AVAILABLE-FOR-SALE INVESTMENTS</b>		
Realised gains on available-for-sale financial assets	8,275,296	20,766,825
Equity derivatives	5,214,469	20,766,470
Capital market instruments	2,173,864	-
Money market instruments	886,963	355
Realised losses on available-for-sale financial assets	(10,001,461)	(18,211,649)
Equity derivatives	(6,682,508)	(17,947,904)
Capital market instruments	(1,653,016)	(62,011)
Money market instruments	(1,665,937)	(201,734)
	<u>(1,726,165)</u>	<u>2,555,176</u>

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2011 (continued)**

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

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

<b>2011</b>	<b>CORE</b>	<b>PLUS</b>	<b>EXTENDED</b>	<b>TOTAL</b>
<b>Contributions</b>	7,446,691	157,424,636	37,223,389	202,094,716
<b>Relevant healthcare expenditure</b>	(6,513,284)	(132,205,433)	(39,855,708)	(178,574,425)
Net claims incurred	(6,385,855)	(127,650,213)	(41,666,660)	(175,702,728)
Net (expense)/income on risk transfer arrangements	(127,429)	(4,555,220)	1,810,952	(2,871,697)
<b>Gross healthcare result</b>	933,407	25,219,203	(2,632,319)	23,520,291
Managed care:				
Management services	-	(2,686,317)	(334,582)	(3,020,899)
Administrative expenses	(766,665)	(15,987,970)	(1,990,875)	(18,745,510)
Impairment losses on trade and other receivables	(275)	(3,448)	(544)	(4,267)
<b>Net healthcare result</b>	166,467	6,541,468	(4,958,320)	1,749,615
<b>Other income</b>	619,965	7,955,142	991,298	9,566,405
Investment income	619,527	7,949,516	990,597	9,559,640
Sundry income	438	5,626	701	6,765
<b>Other expenditure</b>	(131,317)	(1,685,002)	(209,970)	(2,026,288)
Net realised losses on available-for-sale investments	(111,867)	(1,435,428)	(178,870)	(1,726,165)
Investment management fees	(19,450)	(249,573)	(31,100)	(300,123)
<b>Surplus/(deficit) for the year</b>	<b>655,115</b>	<b>12,811,608</b>	<b>(4,176,991)</b>	<b>9,289,732</b>
<b>2010</b>	<b>CORE</b>	<b>PLUS</b>	<b>EXTENDED</b>	<b>TOTAL</b>
<b>Contributions</b>	7,616,557	144,250,081	35,712,815	187,579,453
<b>Relevant healthcare expenditure</b>	(6,467,178)	(128,314,827)	(38,411,992)	(173,193,997)
Net claims incurred	(6,164,164)	(124,026,928)	(40,162,146)	(170,353,238)
Net (expense)/income on risk transfer arrangements	(303,014)	(4,287,899)	1,750,154	(2,840,759)
<b>Gross healthcare result</b>	1,149,379	15,935,254	(2,699,177)	14,385,456
Managed care:				
Management services	-	(2,810,664)	(344,377)	(3,155,041)
Administrative expenses	(749,002)	(14,847,891)	(1,991,248)	(17,588,141)
Impairment losses on trade and other receivables	(7,256)	(84,902)	(11,091)	(103,249)
<b>Net healthcare result</b>	393,121	(1,808,203)	(5,045,893)	(6,460,975)

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2011 (continued)**

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

<b>2010</b>	<b>CORE</b>	<b>PLUS</b>	<b>EXTENDED</b>	<b>TOTAL</b>
<b>Other income</b>	851,999	10,246,556	1,373,919	12,472,473
Investment income	676,288	8,133,366	1,090,570	9,900,223
Net realised gains on available-for-sale investments	174,545	2,099,163	281,468	2,555,176
Sundry income	1,166	14,027	1,881	17,074
<b>Other expenditure</b>				
Investment management fees	(19,865)	(238,909)	(32,034)	(290,808)
<b>Surplus/(deficit) for the year</b>	<b>1,225,255</b>	<b>8,199,444</b>	<b>(3,704,009)</b>	<b>5,720,690</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. The Extended option recorded a net deficit for the year of R4,176,991 (2010: R3,704,009). Refer to Note 13.

**12. RELATED PARTY TRANSACTIONS**

**Related party relationships**

**Parties with significant influence over the Fund**

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

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

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

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

**Parties with significant influence over the Fund**

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

**Key management personnel and their close family members**

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

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

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2011 (continued)**

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

**Transactions with related parties**

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

Key management personnel

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<i>Compensation</i>		
Principal Officer's fees	466,200	467,730
Contribution toward Fund Manager's remuneration	260,832	249,099
Medical Advisor's fees	371,280	353,628
Trustee and committee members' remuneration	66,300	69,696
	<u>1,164,612</u>	<u>1,140,153</u>

*Contributions and claims in respect of those of the above who are members of the Fund*

**Statement of comprehensive income**

Gross contributions received	485,172	406,589
Claims incurred	370,913	475,788

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

<b>Transaction</b>	<b>Nature of transactions and terms and conditions thereof</b>
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 capacity as members of the Fund. All claims were paid out in terms of the rules of the Fund, as applicable to the Fund's members.

*Other transactions*

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

**Statement of comprehensive income**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
Administration fees paid to MHC	15,398,417	14,764,177
Managed care fees and capitation premiums paid to Metropolitan Health Risk Management	14,279,291	13,947,954
Capitation agreement profit share allocation from Metropolitan Health Risk Management	(847,875)	(766,635)
Investment management fees paid to Prescient	300,123	290,808
Actuarial and clinical review fees paid to Towers Watson	943,920	899,460
Seminar and travel expenses paid on behalf of Trustees	11,207	5,749

**Statement of financial position**

Actuarial fees due to Towers Watson	78,660	-
Provision for risk transfer agreement profit share due from Metropolitan Health Risk Management	(847,875)	766,635
Share of outstanding claims provision	334,790	-
Sundry payables and provisions	1,568	7,824

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

**Terms and conditions of the administration agreement**

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

**Terms and conditions of the managed care agreement**

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

**Terms and conditions of the investment management contract**

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

**Terms and conditions of the actuarial and clinical review agreement**

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

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

The CMS stipulated, via Circular 11 of 2006, that all cases of non-compliance with the Act should be disclosed in the Annual Financial Statements. The following stipulations were not complied with during the year:

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

**Nature and impact**

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance, and will be financially sound. As at 31 December 2011, the Extended option was in a net deficit position, thereby contravening Section 33(2) of the Act. The deficit amounted to R4,176,991 (2010: R3,704,009) representing 2.06% (2010: 1.97%) of the consolidated contributions of the Fund.

**Cause of failure**

The Extended option houses most of the Fund's retired members as it offers more extensive benefits. The age profile of this option is higher than that of the other options resulting in higher claims per member than other options. This deficit position represents 11.22% (2010: 10.37%) of the Extended option's annual contributions for 2011.

**Corrective action**

The Trustees continue to review the financial position of this option and have considered closing it, but this would place a burden on the rest of the Fund and could mean that the Plus option members, who comprise 83% of the Fund membership, would have to absorb higher contribution increases in future. It is thus in the interest of the Plus option members to keep the Extended option separate. The Trustees are satisfied that as a whole the Fund is financially sound.

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

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

**Nature and impact**

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the scheme. The rules indicate that contributions should be received no more than three days after they become due. During the 2011 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 2011, there were contribution debtors outstanding for more than 30 days to the amount of R25,418. This amount represents less than 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 are outstanding due 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.

***Non-compliance with S8(2) of the Act – Co-payments applied to Prescribed Minimum Benefit (PMB) claims***

**Nature and impact**

The claim was in respect of a PMB service provided by a non-Designated Service Provider. The claim should have been paid at the full Fund tariff of R450, however, the claim was only partially paid because the balance of the member's Annual Medical Limit (AML) was R104 at the time that the claim was processed, and this was the amount that was refunded to the member. This was in contravention of Section 8(2) of the Act.

**Cause of failure**

The claims system is not programmed to split claims between two benefit pools (AML and Insured Benefits) and could therefore not pay the balance of R346 from the PMB Care Plan automatically. This shortfall should have been corrected manually once the member's AML was exhausted and the PMB Care Plan was initiated. This was not done and thus the balance of R346 was not refunded to the member.

**Corrective action**

This claim has subsequently been revisited and the balance of R346 has been refunded to the member from the PMB Care Plan. The Administrator has subsequently implemented a reporting system to identify any partially paid claims from AML in order to identify any short payment on PMB claims. Any such claim will now be processed and the shortfall will be paid from the PMB Care Plan Insured Benefit.