



**NOTICE IS HEREBY GIVEN THAT THE FIFTY-FOURTH ANNUAL GENERAL MEETING OF  
WOOLTRU HEALTHCARE FUND WILL BE HELD VIA A ZOOM CONFERENCE MEETING  
ON WEDNESDAY, 26 AUGUST 2020 AT 09:00.  
*The Zoom Link to join will follow in a separate email***

---

#### **AGENDA**

1. Chairperson's welcome to members
2. To read the notice convening the Annual General Meeting
3. To adopt the minutes of the Annual General Meeting held on 26 June 2019
4. To adopt the Report of the Board of Trustees for the year ended 31 December 2019
5. To adopt the Independent Auditor's Report for the year ended 31 December 2019
6. To adopt the Annual Financial Statements for the year ended 31 December 2019
7. To appoint the Auditors for the ensuing year
8. To elect a member-elected Trustee
9. To approve the Trustee and Committee Member Remuneration Policy for the 2020 calendar year
10. General

By order of the Board

**FRANCOIS DE WIT**  
PRINCIPAL OFFICER

**MINUTES OF THE FIFTY-THIRD 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 WEDNESDAY, 26 JUNE 2019 AT 14:00**

---

- **PRESENT:** 46 members were represented in person and 15 proxies were received
- **APOLOGIES:** Mr Burger van der Merwe (Chairperson); Mr Francois de Wit (Principal Officer)

**1. OPENING AND WELCOME**

Ms Malander introduced herself as the Vice-Chairperson of the Board of Trustees and informed the members that she would be chairing the meeting in the absence of Mr van der Merwe. Apologies were noted from Mr van der Merwe (Chairperson of the Board of Trustees) and Mr de Wit (Principal Officer).

The Chairperson opened the meeting and welcomed those present.

Words of welcome were extended to the representatives of MMI Health (Pty) Ltd (the Fund's Administrator). A special word of welcome was extended to Mr Mokoatedi, a representative of the Council for Medical Schemes (CMS), who was in attendance to observe the meeting.

Following a count of members, the Chairperson confirmed that a quorum (a minimum of 30 members as per CMS requirement) was present and that the meeting was duly constituted.

The Chairperson requested that all members present complete the attendance register.

**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. No requests for additional agenda items had been received prior to the meeting and no additional requests were made at the meeting. The meeting proceeded as per the published agenda.

The Chairperson advised that members could direct administration-related queries to Ms Brandes from MMI Health (Pty) Ltd, who was in attendance at the meeting.

**3. CONFIRMATION OF MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 28 JUNE 2018**

The minutes of the Annual General Meeting held on 28 June 2018 were reviewed on a page-by-page basis with no amendments or corrections required.

Mr Thompson proposed that the minutes of the 2018 Annual General Meeting be approved and adopted. Ms Wolhuter seconded the proposal, which was then unanimously adopted.

The minutes of the fifty-second Annual General Meeting, held on 28 June 2018, were signed as a true record of the proceedings.

No matters arising from the minutes of the 2018 Annual General Meeting were raised for further discussion.

**4. CHAIRPERSON'S REVIEW**

The Chairperson's Review, which had been included on pages 4 to 9 of the Annual General Meeting pack, was noted. No questions or queries were raised for discussion.

**5. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2018**

The Report of Ernst & Young to the members of the Fund had been circulated prior to the meeting. Mr Hector proposed that the Auditor's Report be adopted and the proposal was seconded by Mr Gillman.

**MINUTES OF THE FIFTY-THIRD 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 WEDNESDAY, 26 JUNE 2019 AT 14:00 (CONTINUED)**

---

**6. REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2018**

The Annual Report of the Board of Trustees for the year ended 31 December 2018, having been circulated, was taken as read. The Chairperson invited those in attendance to raise any questions or points requiring clarity. No queries were raised.

As proposed by Mr Magagula and seconded by Mr Thompson, the Annual Report of the Board of Trustees was duly adopted.

**7. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

The Annual Financial Statements for the year ended 31 December 2018 were circulated prior to the meeting.

The Chairperson invited members to raise any concerns or queries regarding the Annual Financial Statements. No queries were raised.

The Chairperson expressed appreciation to the Administrator, MMI Health (Pty) Ltd, the Fund's Auditors, Ernst & Young Inc. and the Audit Committee for the preparation and review of the Annual Financial Statements.

Ms Wolhuter proposed that the Annual Financial Statements for the year ended 31 December 2018 be adopted. The proposal was seconded by Mr Thompson.

**8. TRUSTEE REMUNERATION POLICY**

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

Mr Thompson proposed that the Remuneration Policy in respect of Trustees and Committee members be approved and adopted.

Ms Davids seconded the proposal, which was unanimously adopted.

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

The Audit Committee had proposed to the Board of Trustees that the Fund renew the appointment of Ernst & Young Inc. as the External Auditors to the Fund for the financial year ending 31 December 2019.

Mr Gillman proposed that the appointment of Ernst & Young Inc. as the External Auditors to the Fund for the financial year ending 31 December 2019 be approved and adopted.

Mr Thompson seconded the proposal, which was unanimously adopted.

**10. ELECTION OF TRUSTEES**

The Chairperson confirmed that, as the terms of office of all member Trustees remained current, no Trustee elections would be required at the 2019 Annual General Meeting.

**11. GENERAL**

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

A special word of thanks was expressed to the Board of Trustees for their ongoing commitment and effort, to Dr Tony Davidson, the Medical Advisor to the Fund, and to Mr Gary Scott (Fund Actuary) and the Audit Committee members for their work and effort to ensure that the Annual Financial Statements were correct and submitted timeously.

No general questions or discussion points were raised.

**MINUTES OF THE FIFTY-THIRD 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 WEDNESDAY, 26 JUNE 2019 AT 14:00 (CONTINUED)**

---

**12. CLOSURE OF MEETING**

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

**APPROVED AND SIGNED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 2020**

\_\_\_\_\_  
**CHAIRPERSON**

\_\_\_\_\_  
**PRINCIPAL OFFICER**

**WOOLTRU HEALTHCARE FUND  
ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2019**

---

<b>Contents</b>	<b>Page</b>
Statement of Responsibility by the Board of Trustees	6
Statement of Corporate Governance by the Board of Trustees	7
Independent Auditor's Report	8 – 10
Report of the Board of Trustees	11 – 24
Statement of Financial Position	25
Statement of Comprehensive Income	26
Statement of Changes in Funds and Reserves	27
Statement of Cash Flows	28
Notes to the Annual Financial Statements	29 – 66
Remuneration Policy	67 – 68

**WOOLTRU HEALTHCARE FUND  
STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES  
for the year ended 31 December 2019**

---

**STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES**

The Trustees are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of the Wooltru Healthcare Fund. The Annual Financial Statements presented on pages 25 to 66 have been prepared in accordance with International Financial Reporting Standards and the Medical Schemes Act of South Africa and include amounts based on judgements and estimates.

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

The Trustees are satisfied that the information contained in the Annual Financial Statements fairly presents the results of operations for the year and the financial position of the Fund at year-end. The Trustees also prepared the information included in their Annual Report on pages 11 to 24 and are responsible for both its accuracy and its consistency with the Annual Financial Statements.

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

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

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

The Fund's External Auditors, Ernst & Young Inc., audited the Annual Financial Statements and are responsible for reporting on the fair presentation of the Annual Financial Statements. Their report is presented on pages 8 to 10.

The Annual Financial Statements were approved by the Board of Trustees on 20 April 2020 and, according to an extract of the minutes of the meeting, these are signed on its behalf by:



---

**Mr B van der Merwe**  
Chairperson



---

**Ms S Malander**  
Trustee



---

**Mr F de Wit**  
Principal Officer

26 May 2020

**WOOLTRU HEALTHCARE FUND  
STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES  
for the year ended 31 December 2019**

---

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

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

**BOARD OF TRUSTEES**

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

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

**INTERNAL CONTROL**

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

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



---

**Mr B van der Merwe**  
Chairperson



---

**Ms S Malander**  
Trustee



---

**Mr F de Wit**  
Principal Officer

26 May 2020

**WOOLTRU HEALTHCARE FUND  
INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ended 31 December 2019**

---

**Report on the audit of the Annual Financial Statements**

***Opinion***

We have audited the Annual Financial Statements of Wooltru Healthcare Fund set out on pages 25 to 66, which comprise the Statement of Financial Position as at 31 December 2019, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended 31 December 2019, and Notes to the Annual Financial Statements, including a summary of Principal Accounting Policies.

In our opinion, the Annual Financial Statements present fairly, in all material respects, the financial position of Wooltru Healthcare Fund as at 31 December 2019 and its financial performance and cash flows for the year ended 31 December 2019 in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our Report. We are independent of the Fund in accordance with Sections 290 and 291 of the Independent Regulatory Board for Auditors' Code (IRBA Code) of Professional Conduct for Registered Auditors (revised January 2018), parts 1 and 3 of the IRBA Code of Professional Conduct for Registered Auditors (revised November 2018) (together with the IRBA Codes) and other independence requirements applicable to performing audits of Annual Financial Statements of the Fund and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the Fund and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Annual Financial Statements of the current period. These matters were addressed in the context of our audit of the Annual Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no such matters to report.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Annual Financial Statements section of our report. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Annual Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Annual Financial Statements.

***Other information***

The Fund's Trustees are responsible for the other information. The other information comprises the Report of the Board of Trustees set out on pages 11 to 24, the Statement of Responsibility by the Board of Trustees set out on page 6 and the Statement of Corporate Governance by the Board of Trustees set out on page 7. The other information does not include the Financial Statements and our Auditor's Report thereon.

Our opinion on the Annual Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Annual Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Annual Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



**WOOLTRU HEALTHCARE FUND  
INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ended 31 December 2019 (continued)**

---

***Responsibilities of the Trustees of the Fund for Annual Financial Statements***

The Trustees are responsible for the preparation and fair presentation of the Annual Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and for such internal control as the Trustees determine is necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the Trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting, unless the Trustees either intend to liquidate the Fund or to cease operations or have no realistic alternative but to do so.

***Auditor's responsibilities for the audit of the Annual Financial Statements***

Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also do the following:

- Identify and assess the risks of material misstatement of the Annual Financial Statements, whether due to fraud, error or design, and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of Accounting Policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Annual Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate Annual Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**WOOLTRU HEALTHCARE FUND  
INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ended 31 December 2019 (continued)**

---

***Report on other legal and regulatory requirements***

*Non-compliance with the Medical Schemes Act of South Africa*

As required by the Council for Medical Schemes, we report the following material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, as amended, that have come to our attention during the course of our audit:

1. Benefit options in loss-making position
2. Contributions not received within three (3) days
3. Investment in participating employers and administrators.

***Audit tenure***

As required by the Council for Medical Schemes' Circular 38 of 2019 Audit Tenure, we report Ernst & Young Inc. has been the Auditor of Wooltru Healthcare Fund for twenty-five (25) years. The engagement partner, Deon van der Walt, has been responsible for Wooltru Healthcare Fund's audit for one (1) year.

*Ernst & Young Inc.*

**Ernst & Young Inc.**

Director: Deon van der Walt  
Registered Auditor  
Chartered Accountant (SA)

3<sup>rd</sup> Floor, Waterway House  
3 Dock Road  
V&A Waterfront  
Cape Town

5 May 2020

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2019**

---

The Board of Trustees hereby presents its report for the year ended 31 December 2019:

Council for Medical Schemes registration number of the Fund: 1293

**1. MANAGEMENT**

**1.1 Board of Trustees**

The Council for Medical Schemes approved a five-year term of office for the Fund's Trustees effective 1 April 2017.

The names of the Trustees in office during the year under review are as follows:

**Employer-appointed Trustees**

Mr B van der Merwe (Chairperson)  
Ms S Malander (Vice-Chairperson)  
Ms Z Mowzer  
Ms Z Mgolodela  
Mr I Thompson

**Member-elected Trustees**

Mr F du Plessis Resigned 26 October 2019\*  
Mr J Gillman  
Mr A Hector  
Mr S Latta  
Mr T Magagula

\* A replacement member-elected Trustee will be elected at the 2020 Annual General Meeting.

**1.2 Principal Officer**

Mr F de Wit

**Physical address**

67 Gazania Street  
Welgemoed  
7530

**Postal address**

67 Gazania Street  
Welgemoed  
7530

**1.3 Registered office address**

**Business address**

Wooltru Healthcare Fund  
Building 6  
Parc du Cap  
Bellville  
7530

**Postal address**

Wooltru Healthcare Fund  
PO Box 15403  
Vlaeberg  
8018

**Country of registration and domicile**

South Africa

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2019 (continued)**

---

**1. MANAGEMENT (CONTINUED)**

**1.4 Fund Administrator: Momentum Health Solutions (Pty) Ltd**

The Fund's Administrator changed its name from MMI Health (Pty) Ltd to Momentum Health Solutions (Pty) Ltd effective 6 August 2019.

<b>Business address</b>	<b>Postal address</b>
Parc du Cap Mispel Road Bellville 7530 Company registration number: 1969/16884/07	PO Box 4313 Cape Town 8000

**1.5 Investment managers**

**Coronation Life Assurance Company Ltd (terminated August 2019)**

<b>Business address</b>	<b>Postal address</b>
Seventh Floor MontClare Place C/o Campground and Main Roads Claremont 7708 Financial service provider number: 548	PO Box 44684 Claremont 7735

**Sanlam Investment Management (Pty) Ltd (appointed August 2019)**

<b>Business address</b>	<b>Postal address</b>
55 Willie van Schoor Avenue Tygervalley Cape Town 7500 Financial service provider number: 579	Private bag X8 Tygervalley 7536

**Allan Gray Life Ltd**

<b>Business address</b>	<b>Postal address</b>
1 Silo Square V&A Waterfront Cape Town 8001 Financial service provider number: 6663	PO Box 51318 V&A Waterfront Cape Town 8002

**1.6 Principal participating employers**

Woolworths Holdings Ltd  
Truworths International Ltd

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

<b>Business address</b>	<b>Postal address</b>
Third Floor, Waterway House 3 Dock Road V&A Waterfront Cape Town 8001	PO Box 656 Cape Town 8000

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2019 (continued)**

---

**1. MANAGEMENT (CONTINUED)**

**1.8 Actuaries and investment advisors: NMG Consultants and Actuaries (Pty) Ltd**

**Business address**

Belvedere Office Park, Block B  
Pasita Street  
Bellville  
7530

**Postal address**

PO Box 3950  
Tygervalley  
7530

**2. DESCRIPTION OF THE FUND**

**2.1 Terms of registration**

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

**2.2 Options within the Wooltru Healthcare Fund**

The Fund offers three benefit options to members:

- Core
- Plus
- Extended.

**2.3 Risk transfer arrangements**

During 2019, the Fund renewed the risk transfer arrangements with Momentum Health Solutions (Pty) Ltd and Netcare 911 (Pty) Ltd.

The Fund has two risk transfer arrangements in place with Momentum Health Solutions (Pty) Ltd. The first arrangement provides all healthcare benefits for beneficiaries registered on the Core Option via specialist and general practitioner networks and designated service provider networks for the Plus and Extended Options.

The second arrangement with Momentum Health Solutions (Pty) Ltd provides chronic medication benefits for beneficiaries registered on the Plus and Extended Options.

The Netcare 911 (Pty) Ltd arrangement covers emergency evacuation from accident scenes or in cases of sudden illness for beneficiaries on the Plus and Extended Options.

**2.4 Operating environment**

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

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2019 (continued)**

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

**3.1 Operational activities**

**2019**

	<b>Core</b>	<b>Plus</b>	<b>Extended</b>	<b>Total</b>
Number of members at year-end	1 653	7 726	473	9 852
Number of beneficiaries at year-end	2 368	14 998	868	18 234
Average number of members for the year	1 535	7 817	480	9 832
Average number of beneficiaries for the year	2 218	15 187	881	18 286
Dependants to member ratio at year-end (%)	0.43	0.94	0.84	0.85
Average age of beneficiaries for the year	28.63	31.93	52.68	32.49
Pensioner ratio (%)	6.35	12.24	61.95	13.64
Average risk contribution per member per month (R)	1 630	2 524	6 582	2 582
Average risk contribution per beneficiary per month (R)	1 128	1 299	3 585	1 388
Relevant healthcare expenditure as a percentage of risk contributions (%)	82.99	92.02	115.21	94.02
Average relevant healthcare expenditure per member per month (R)	1 353	2 322	7 584	2 428
Average relevant healthcare expenditure per beneficiary per month (R)	937	1 195	4 130	1 305
Amounts paid to Administrator (R)	2 161 893	20 942 708	1 289 134	24 393 735
Average administration cost per member per month (R)				252
Average administration cost per beneficiary per month (R)				136
Administration cost as a percentage of gross contributions (%)	10.00	10.65	1.62	8.21
Average managed care expense per member per month (R)	-	74	74	63
Average managed care expense per beneficiary per month (R)	-	38	40	34
Non-healthcare expenditure as a percentage of gross contributions (%)	9.92	10.59	1.61	8.17
Accumulated funds per member at 31 December (R)				20 933
Realised return on investments as a percentage of investments (%)				6.97
Total return on investments (%)				6.80

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2019 (continued)**

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

**3.1 Operational activities (continued)**

**2018**

	<b>Core</b>	<b>Plus</b>	<b>Extended</b>	<b>Total</b>
Number of members at year-end	1 329	7 985	506	9 820
Number of beneficiaries at year-end	1 924	15 504	957	18 385
Average number of members for the year	1 205	8 088	517	9 810
Average number of beneficiaries for the year	1 752	15 808	989	18 549
Dependants to member ratio at year-end (%)	0.45	0.94	0.89	0.87
Average age of beneficiaries for the year	27.55	30.50	50.00	31.20
Pensioner ratio (%)	7.98	11.28	60.87	13.39
Average risk contribution per member per month (R)	1 493	2 357	6 110	2 448
Average risk contribution per beneficiary per month (R)	1 027	1 206	3 194	1 295
Relevant healthcare expenditure as a percentage of risk contributions (%)	85.77	88.64	118.60	92.36
Average relevant healthcare expenditure per member per month (R)	1 280	2 089	7 246	2 262
Average relevant healthcare expenditure per beneficiary per month (R)	881	1 069	3 788	1 196
Amounts paid to Administrator (R)	1 604 636	20 535 361	1 321 516	23 461 513
Average administration cost per member per month (R)				243
Average administration cost per beneficiary per month (R)				129
Administration cost as a percentage of gross contributions (%)	10.38	10.83	1.70	8.32
Average managed care expense per member per month (R)	-	70	70	62
Average managed care expense per beneficiary per month (R)	-	36	37	33
Non-healthcare expenditure as a percentage of gross contributions (%)	10.53	10.93	1.72	8.40
Accumulated funds per member at 31 December (R)				20 893
Realised return on investments as a percentage of investments (%)				6.22
Total return on investments (%)				3.50

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2019 (continued)**

---

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

**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>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
The solvency ratio is calculated on the following basis:		
General reserve	206 228 020	202 805 580
Total members' funds as per Statement of Financial Position	206 228 020	202 805 580
Cumulative unrealised gain on investments at fair value	-	-
Accumulated funds	<u>206 228 020</u>	<u>202 805 580</u>
Gross contribution income as per note 9	362 399 462	343 776 894
Accumulated funds as a percentage of gross contributions	<u>56.91%</u>	<u>58.99%</u>

The solvency ratios for both 2019 and 2018 reflected above were calculated using accumulated funds, as required by the Council for Medical Schemes. The minimum solvency ratio required by the Council for Medical Schemes is 25%. At the Board of Trustees meeting dated 26 August 2003, a decision was taken to maintain a general reserve of not less than 40% of annualised gross contributions, being R144 959 785 (2018: R137 510 758).

**3.4 Reserve accounts**

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves on page 27.

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

**3.5 Outstanding claims provision**

The outstanding claims provision is calculated based on historic claims trends and patterns and the method of calculation is consistent with that of previous years.

Movements in the outstanding claims provision are set out in note 8 to the Annual Financial Statements.

**3.6 Liability adequacy test**

Liability adequacy tests are performed to ensure adequacy of insurance payables as at reporting date. In performing these tests, current estimates of future cash flows under the Fund's insurance payables are used and any deficiency is recognised in surplus or deficit.



**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2019 (continued)**

---

**4. INVESTMENT POLICY OF THE FUND**

Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd are the Fund's appointed investment managers. The Fund invests in compliance with the requirements of the Medical Schemes Act. In December 2009, the Trustees approved an updated investment policy, increasing the maximum allowable effective exposure to equities from 40% to 50% of the Fund's invested assets. As at 31 December 2019, the effective equity exposure of the portfolios managed by Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd amounted to 30.93% and 38.74% respectively, while the combined total effective equity exposure was 34.81% (2018: 34.92%) of the Fund's invested assets.

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 an investment management fee of at least the consumer price index (CPI) price, plus two percent per annum for those assets required to meet the Fund's liquidity needs;
- achieve a return after an investment management fee of at least the CPI price, plus five percent per annum or in excess for those assets not required to meet the Fund's liquidity needs;
- manage the Fund's investments within a risk constraint that avoids the likelihood of achieving a negative return of more than five percent of the Fund's invested assets in any calendar year.

The Fund's investment strategy is to:

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

**5. ACTUARIAL VALUATION**

An actuarial valuation is not required for the Fund due to the short-term nature of the Fund's assets and liabilities. The contribution tables set for the Fund are subject to an annual review by actuaries specialising in healthcare to ensure that the Fund remains in a financially sound position. The review of contributions for the 2020 year was set out in a report dated September 2019 and confirmed that the Fund was in a financially sound position. The report complied with the requirements of the Professional Guidance Note issued by the Actuarial Society of South Africa (APN303 – Advice to South African Medical Schemes on Adequacy of Contributions).

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

The outbreak of the coronavirus (COVID-19) during mid-January has disrupted the global economic markets. In making their estimates and judgements as at 31 December 2019, the Trustees took into consideration the economic conditions and forecasts as at that date.

The following events developed since 31 December 2019:

- On 23 March 2020, the President of South Africa announced a mandatory national lockdown for a period of 21 days, which commenced on 26 March 2020 as a measure to curb the spread of COVID-19.
- On 27 March 2020, the rating agency, Moody's, announced its decision to downgrade South Africa's long-term foreign and local currency debt ratings from Ba1 to Baa3 and maintains a negative outlook of the country.

Since the beginning of 2020, due to the volatility of the global and local markets, the Fund has been experiencing unrealised losses on investments.

The sovereign downgrade will further add to the prevailing financial market stress. The performance of the Fund's investment portfolio, as illustrated below, will continuously be monitored by the Fund's asset managers.

**WOOLTRU HEALTHCARE FUND**  
**REPORT OF THE BOARD OF TRUSTEES**  
**for the year ended 31 December 2019 (continued)**

---

**6. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD (CONTINUED)**

The effects of COVID-19 and the downgrade are non-adjusting subsequent events for the year ended 31 December 2019 in terms of International Accounting Standard (IAS)-10 Events after the reporting period, because the significant development and the spreading of COVID-19 did not take place until January 2020, and the announcement of the downgrade only occurred on 27 March 2020. Therefore these events only occurred after 31 December 2019. Below is the assessment of each of the Fund's significant balance sheet items:

The majority (51%) of the Fund's investable assets were invested in cash with 30% exposed to local equity markets, including investments in property. While the cash investments will be largely unaffected, the equity portion of the investments will decrease. The market value of the Allan Gray Life Ltd portfolio has decreased by 7.5% since December 2019 (31 December 2019: R81 422 740; 30 April 2020: R75 286 666), while the portfolio managed by Sanlam Investment Management (Pty) Ltd decreased by 6.1% over the same period (31 December 2019: R80 334 591; 30 April 2020: R75 458 465).

NMG Consultants and Actuaries (Pty) Ltd performed a COVID-19 impact analysis for the Fund. The population modelling reflected that it is critical that the transmission rate is reduced to the 0.40 level or below to contain the spread of COVID-19 in South Africa. The scenarios for transmission rates above 0.40 will be devastating. However, it is expected that the financial impact on the Fund will be contained by the intensive care unit capacity constraints in private hospitals.

The potential impact that the pandemic will have on the Fund's participating employers was also considered, but it was deemed to be too early to make an assessment.

Provision for doubtful debts as at 31 December 2019 has been based on incurred events at balance sheet date. Given that the disruptions only occurred in March 2020, the amount recognised as at 31 December 2019 remains unchanged.

Provision for outstanding claims, as disclosed in note 8, is an estimate of the ultimate costs of settling all claims incurred before the end of the reporting period, but that has not been reported to the Fund. Given the fact that the risk claims provision as at 31 December 2019 relates to 2019 and prior, the claims provision remains unchanged.

The Board of Trustees are of the opinion that these events, given the existing profile of the Fund's membership and the level of reserves held, will not have a material impact on the Fund's solvency. The Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

In addition, the financial reporting impact of COVID-19 will be considered in the 2020 Annual Financial Statements.

There have been no other events that have occurred between the end of the accounting period and the date of the approval of these Annual Financial Statements, other than items listed above, that the Trustees consider should be brought to the attention of the members of the Fund.

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2019 (continued)**

---

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

The Council for Medical Schemes stipulated, via circular 11 of 2006, that all cases of non-compliance with the Act should be disclosed in the Annual Financial Statements. Refer to note 30 to the Annual Financial Statements.

The following matters are disclosed for information purposes only:

**7.1 Non-compliance for which the Fund has not received exemption**

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

*Nature and impact*

The Council for Medical Schemes has approved the rules of the Wooltru Healthcare Fund in terms of Section 33(2) of the Medical Schemes Act. As per the submission approved by the Registrar, the Extended Option was in a net deficit position of R6 586 819 (2018: R8 447 728), representing 2.2% (2018: 2.9%) 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 on the other options. Its deficit represents 17.4% (2018: 22.3%) of the Extended Option's annual risk contribution income for 2019.

*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 78% of the Fund's membership, would have to pay higher contributions in future. It is therefore in the interest of the Plus Option members to keep the Extended Option available. The Trustees are satisfied that, as a whole, the Fund is financially sound.

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

*Nature and impact*

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

During the 2019 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 2019, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R67 510 (2018: R31 215). This amount represents 0.02% (2018: 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.

*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.

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2019 (continued)**

---

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

**7.2 Non-compliance for which the Fund has received an exemption**

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

*Nature and impact*

Wooltru Healthcare Fund, through Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd, held investments in participating employers, as well as holding companies of medical scheme administrators, as at 31 December 2019. This is in contravention of Section 35(8) (a) and (c) of the Act, as the Fund is not allowed to hold shares in the holding company of an administrator or any participating employer. See note 8 below for further detail.

*Cause of failure*

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

*Corrective action*

The Fund received an exemption in December 2019 from the Council for Medical Schemes from complying with Section 35(8) (a) and (c), insofar as it relates to investments placed with asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund. The exemption was granted up until 30 November 2022.

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

The Wooltru Healthcare Fund, through Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd, held the following investments at fair value in participating employers, as well as in the holding companies of medical scheme administrators at year-end:

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
Discovery Holdings Ltd	190 950	-
Liberty Holdings Ltd	746 118	-
Momentum Metropolitan Holdings Ltd	557 253	1 438 433
Sanlam Ltd	-	69 374
Truworths International Ltd	59 652	87 003
Woolworths Holdings Ltd	1 126 222	1 998 664
	<u>2 680 195</u>	<u>3 593 474</u>

Refer to note 24 for detailed disclosure in terms of related parties. The Fund obtained an exemption from Section 35(8) (a) and (c) of the Act and is therefore permitted to hold investments in its participating employers and holding companies of medical scheme administrators. Refer to note 7 above for detailed disclosures in terms of non-compliance with the Medical Schemes Act.

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2019 (continued)**

---

**9. AUDIT COMMITTEE**

An Audit Committee was established on 12 February 2002 in accordance with the provisions of the Act. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee must consist of a minimum of five members, of whom two must be members of the Board of Trustees. The majority of the members are not officers of the Fund or its third-party Administrator. The Audit Committee met on three occasions during 2019, as follows:

3 April; 15 August; and 30 October.

The Administrator and the External Auditors are invited to 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 Board of Trustees 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.

During the year under review, the Audit Committee comprised:

Mr D Crisp	Chairperson/Independent non-Trustee	
Ms K Hofmeyr	Non-Trustee	Appointed 1 May 2019
Ms T Mlotshwa	Independent non-Trustee	
Ms Z Mowzer	Trustee	
Mr R Oosterbaan	Non-Trustee	
Mr R Smit	Non-Trustee	Resigned 1 May 2019
Mr I Thompson	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 Board of Trustees on investment matters. The Investment Committee must comprise at least four members of whom at least half must be Trustees. The Investment Committee met on four occasions during 2019, as follows:

28 January; 14 May; 13 August; and 29 October.

During the year under review, the Investment Committee comprised:

Ms S Malander	Chairperson/Trustee
Ms M George	Non-Trustee
Mr T Magagula	Trustee
Ms T Mlotshwa	Independent non-Trustee
Mr I Thompson	Vice-Chairperson/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 2019.

During the year under review, the Disputes Committee comprised:

Ms H Drabbe	Committee member	Re-appointed March 2019
Mr P Dyini	Committee member	Re-appointed March 2019
Mr M van Buuren	Committee member	

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2019 (continued)**

---

**12. BENEFITS COMMITTEE**

A Benefits Committee was established during 2008. The responsibility of the Committee is to review proposed new benefits and benefit changes and make appropriate recommendations to the Board of Trustees. The Benefits Committee also acts as a liaison between the employers and the Fund with regard to proposed benefits. The Benefits Committee met on seven occasions during 2019, as follows:

19 March; 14 May; 12 June; 16 July; 13 August; 20 August; and 29 October.

During the year under review, the Benefits Committee comprised:

Ms S Malander	Chairperson/Trustee	
Ms H Drabbe	Non-Trustee	Resigned 1 May 2019
Mr C du Plessis	Non-Trustee	
Mr J Gillman	Vice-Chairperson/Trustee	
Mr S Latta	Trustee	
Ms T Mlotshwa	Independent non-Trustee	
Ms A Urquhart	Non-Trustee	Appointed 1 May 2019

**13. CLINICAL COMMITTEE**

A Clinical Committee was established on 29 May 2013 for the purpose of researching, analysing and reviewing matters of clinical importance to the Fund and its beneficiaries. The Committee advises the Board of Trustees on all strategic and operating matters of a clinical nature and assists in monitoring the Fund's compliance with the Medical Schemes Act, as it relates to the clinical aspect of benefits provided by the Fund. The Clinical Committee met on four occasions during 2019, as follows:

30 January; 7 May; 30 July and 12 November.

During the year under review, the Clinical Committee comprised:

Dr A Davidson	Chairperson/Medical Advisor
Ms A Brandes	Fund Administrator's representative
Mr A Hector	Trustee
Dr S Jairam	Fund Administrator's representative
Ms S Malander	Trustee
Mr G Scott	Fund Actuaries' representative
Ms J Wolhuter	Operations Manager (previously known as Fund Manager)

**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 that 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 it believes any benefit should be enhanced or amended. The Ex Gratia Committee met once during 2019 on 22 November.

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

Dr A Davidson	Chairperson/Medical Advisor	
Ms A Brandes	Fund Administrator's representative	
Mr J Gillman	Trustee	
Mr A Hector	Trustee	
Mr T Modisi	Fund Actuaries' representative	
Ms H Palekar	Fund Administrator's representative	Resigned 1 November 2019
Mr D Rambhooan	Fund Administrator's representative	Appointed 1 November 2019
Ms J Wolhuter	Operations Manager	

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2019 (continued)**

**15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE**

The following schedule sets out Board of Trustees and Committee meeting attendances. Trustee remuneration is disclosed in note 13 to the Annual Financial Statements.

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

**WOOLTRU HEALTHCARE FUND**  
**REPORT OF THE BOARD OF TRUSTEES**  
**for the year ended 31 December 2019 (continued)**

**15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE (CONTINUED)**

Trustee/Committee Member/Principal Officer	Board meetings		Audit Committee meetings		Investment Committee meetings		Benefits Committee meetings		Clinical Committee meetings		Ex Gratia Committee meetings		Disputes Committee meetings	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Number of meetings for the year	5		3		4		7		4		1		0	
<b>Committee members (continued)</b>														
Ms K Hofmeyr (Audit)	-	-	2	2	-	-	-	-	-	-	-	-	-	-
Dr S Jairam (Clinical)	-	-	-	-	-	-	-	-	4	4	-	-	-	-
Ms T Mlotshwa (Audit/Investment/Benefits)	-	-	3	3	4	3	7	5	-	-	-	-	-	-
Mr T Modisi (Ex Gratia)	-	-	-	-	-	-	-	-	-	-	1	1	-	-
Mr R Oosterbaan (Audit)	-	-	3	2	-	-	-	-	-	-	-	-	-	-
Mr D Rambhookan (Ex Gratia)	-	-	-	-	-	-	-	-	-	-	1	1	-	-
Mr G Scott (Clinical)	-	-	-	-	-	-	-	-	4	4	-	-	-	-
Mr R Smit (Audit)	-	-	1	1	-	-	-	-	-	-	-	-	-	-
Ms A Urquhart (Benefits)	-	-	-	-	-	-	6	5	-	-	-	-	-	-
Ms J Wolhuter (Clinical/Ex Gratia)	-	-	-	-	-	-	-	-	4	4	1	1	-	-

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

**B:** Actual number of meetings attended

**16. MANAGEMENT OF INSURANCE RISK**

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

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management, as well as the monitoring of emerging issues. In addition to this, certain risks are mitigated by entering into risk transfer arrangements, as set out in paragraph 2.3 on page 13.



**WOOLTRU HEALTHCARE FUND**  
**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2019

	Notes	2019 R	2018 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	2	66 337 685	49 606 932
<b>Current assets</b>			
		176 070 044	179 651 002
Trade and other receivables	3	4 436 839	2 242 227
Financial assets at fair value through profit or loss	2	95 419 646	130 475 482
Investment of Medical Savings Accounts	5	12 385 521	7 274 727
Cash and cash equivalents	4	63 828 038	39 658 566
<b>Total assets</b>		<u>242 407 729</u>	<u>229 257 934</u>
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
General reserve		206 228 020	202 805 580
		<u>206 228 020</u>	<u>202 805 580</u>
<b>Current liabilities</b>			
		36 179 709	26 452 354
Medical Savings Accounts	7	14 028 390	8 669 656
Trade and other payables	6	3 420 441	2 348 382
Outstanding claims provision	8	18 730 878	15 434 316
<b>Total funds and liabilities</b>		<u>242 407 729</u>	<u>229 257 934</u>

**WOOLTRU HEALTHCARE FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2019**

	Notes	2019 R	2018 R
<b>Risk contribution income</b>	9	304 677 901	288 236 671
<b>Relevant healthcare expenditure</b>		(286 447 398)	(266 226 341)
Net claims incurred	10	(284 472 222)	(264 875 592)
Risk claims incurred		(287 074 857)	(267 492 776)
Third-party claim recoveries		2 602 635	2 617 184
Accredited managed healthcare expenses	11	(7 378 800)	(7 273 256)
Net income on risk transfer arrangements	12	5 403 624	5 922 507
Premiums paid on risk transfer arrangements		(39 267 444)	(31 932 807)
Recoveries received on risk transfer arrangements		44 671 068	37 855 314
<b>Gross healthcare result</b>		18 230 503	22 010 330
Administration and other expenses	13	(29 768 598)	(28 608 426)
Movement in the provision for doubtful debts	14	166 217	(275 838)
<b>Net healthcare result</b>		(11 371 878)	(6 873 934)
<b>Other income</b>		15 835 276	5 138 672
Investment income	15	13 714 385	14 972 846
Net realised gains/(losses) on financial assets at fair value through profit or loss	16	3 039 947	(209 572)
Unrealised losses on financial assets at fair value through profit or loss	2	(1 056 633)	(9 689 957)
Sundry income	17	137 577	65 355
<b>Other expenditure</b>		(1 040 958)	(1 106 077)
Investment management fees	18	(1 040 958)	(1 106 077)
<b>Net surplus/(deficit) for the year</b>		3 422 440	(2 841 339)
Other comprehensive income		-	-
<b>Total comprehensive surplus/(deficit) for the year</b>		3 422 440	(2 841 339)

**WOOLTRU HEALTHCARE FUND**  
**STATEMENT OF CHANGES IN FUNDS AND RESERVES**  
**for the year ended 31 December 2019**

	R	R	R	R
	<b>General reserve</b>	<b>Revaluation reserve</b>	<b>HIV reserve</b>	<b>Members' funds</b>
Balance at 1 January 2018	176 882 404	7 330 786	21 433 729	205 646 919
Net deficit for the year	(2 841 339)	-	-	(2 841 339)
Other comprehensive income	-	-	-	-
Transfer from revaluation reserve	7 330 786	(7 330 786)	-	-
Transfer from HIV reserve	21 433 729	-	(21 433 729)	-
Balance at 1 January 2019	202 805 580	-	-	202 805 580
Net surplus for the year	3 422 440	-	-	3 422 440
Other comprehensive income	-	-	-	-
Balance at 31 December 2019	206 228 020	-	-	206 228 020

**WOOLTRU HEALTHCARE FUND**  
**STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2019**

	Notes	2019 R	2018 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive surplus/(deficit) for the year		3 422 440	(2 841 339)
Adjustments for:			
- interest income on financial assets at fair value through profit or loss	15	(8 136 202)	(10 097 281)
- dividend income on financial assets at fair value through profit or loss	15	(2 303 794)	(2 810 718)
- interest income on cash and cash equivalents	15	(3 274 389)	(2 064 847)
- net realised (gains)/losses on financial assets at fair value	16	(3 039 947)	209 572
- unrealised losses on financial assets at fair value through profit or loss	2	1 056 633	9 689 957
- investment management fees	2	1 040 958	1 106 077
- movement in the provision for doubtful debts	14	(166 217)	275 838
<b>CASH FLOWS UTILISED IN OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES</b>		(11 400 518)	(6 532 741)
<b>WORKING CAPITAL CHANGES</b>			
(Increase)/Decrease in net trade and other receivables		(2 702 628)	467 170
Increase/(Decrease) in trade and other payables		1 072 059	(6 828 819)
Increase in outstanding claims provision		3 296 562	2 244 102
Increase in investment of Medical Savings Account monies		(5 110 794)	(7 274 727)
Increase in Medical Savings Account monies		5 358 734	8 669 656
<b>NET CASH UTILISED IN OPERATING ACTIVITIES</b>		(9 486 585)	(9 255 359)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on cash and cash equivalents	15	3 274 389	2 064 847
Additions to financial assets at fair value through profit or loss	2	(82 822 208)	(116 902 228)
Disposals of financial assets at fair value through profit or loss	2	113 203 876	117 611 274
<b>NET CASH INFLOW FROM INVESTING ACTIVITIES</b>		33 656 057	2 773 893
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		24 169 472	(6 481 466)
Cash and cash equivalents at beginning of the year		39 658 566	46 140 032
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	4	63 828 038	39 658 566

**1. PRINCIPAL ACCOUNTING POLICIES**

The Principal Accounting Policies applied in the preparation of the Fund's Annual Financial Statements, as set out below, are in accordance with International Financial Reporting Standards (IFRS). These policies are consistent with those applied in the previous year, except for changes thereto resulting from the adoption of amendments to accounting standards that became effective during the year.

**1.1 Basis of preparation**

The Annual Financial Statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards (IAS) Board, and the requirements of the Medical Schemes Act 131 of 1998. They have been prepared on the historical cost basis except for financial assets at fair value through profit or loss. The presentation and functional currency is the rand, rounded to the nearest rand.

**Standards adopted in the current year**

**IFRS 16: Leases**

IFRS 16: Leases became effective 1 January 2019. This standard is applicable for all leases, including leases of right-of-use asset in a sublease. The standard hugely impacts the lease accounting for lessees. As the Fund does not have leases in place, there is no impact on implementation of the standard.

**IFRIC Interpretation 23: Uncertainty over income tax treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The receipts and accruals of the Fund are exempt from taxation under Section 10(1)(d) of the Income Tax Act and, as such, IFRIC Interpretation 23: Uncertainty over income tax treatment has no impact on the Fund.

**1.2 Financial instruments**

*Initial recognition and subsequent measurement*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Financial assets*

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Fund classifies its financial instruments at fair value through profit or loss (FVTPL) and financial instruments at amortised cost.

*Classification*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. With the exception of non-insurance trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund may initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Non-insurance trade receivables that do not contain a significant financing component, or for which the Fund has applied the practical expedient, are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.2 Financial instruments (continued)**

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way trades), are recognised on the trade date, i.e. the date that the Fund commits to purchase or sell the asset.

The Fund classifies its financial instruments at FVTPL and amortised cost.

Subsequent measurement

*Financial assets at fair value through profit or loss*

Financial assets at FVTPL are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

This category includes derivative instruments and listed equity investments that the Fund had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as investment income in the Statement of Profit or Loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

The Fund's financial assets at FVTPL consist of investments in the Statement of Financial Position.

*Financial assets at amortised cost*

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost include non-insurance trade receivables and cash and cash equivalents in the Statement of Financial Position.

***Financial liabilities***

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Fund's financial liabilities consist of trade and other payables, Medical Savings Account monies and the outstanding claims provision.

Subsequent measurement

*Financial liabilities at fair value through profit or loss*

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.2 Financial instruments (continued)**

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition and only if the criteria in IFRS 9 are satisfied. The Fund has not designated any financial liability as at FVTPL.

*Financial liabilities at amortised cost*

This is the category most relevant to the Fund. These are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the expected interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the expected interest rate. The expected interest rate amortisation is included as finance costs in the Statement of Comprehensive Income.

The Fund's financial liabilities at amortised cost consist of trade and other payables, Medical Savings Accounts and the outstanding claims provision.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis to realise the assets and settle the liabilities simultaneously.

**Impairment of financial assets**

The Fund assesses at each reporting date, whether there is any objective evidence that a financial asset carried at amortised cost or a group of financial assets, excluding financial assets at FVTPL, is impaired.

The Fund recognises an allowance for expected credit losses on financial assets. Expected credit losses are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The amount of expected credit losses is updated at each reporting date.

For non-insurance trade receivables, the Fund applies a simplified approach in calculating expected credit losses. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime-expected credit losses at each reporting date, which represents the expected credit losses that will result from all possible default events over the expected life of the receivable. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision matrix is initially based on the Fund's historically observed default rates. The Fund will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults in contributions owed to the Fund, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of the financial assets.

The Fund writes off a receivable when there is information indicating that the counterpart is in severe financial difficulty and there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.2 Financial instruments (continued)**

The Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If, in a subsequent year, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**De-recognition**

Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. On de-recognition of a financial asset, the difference between the carrying amount at the date of de-recognition and the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

**1.3 Medical Savings Accounts**

Medical Savings Accounts, which are managed by the Fund on behalf of its members, represent savings contributions (which is a deposit component of the insurance contracts), net of any savings claims paid on behalf of members in terms of the Fund's registered rules.

The deposit component of the insurance contracts has been unbundled since the Fund can measure the deposit component separately. The deposit component is recognised in accordance with IFRS 9 and is initially measured at fair value and subsequently at amortised cost using the effective interest method. The insurance component is recognised in accordance with IFRS 4.

Unspent savings at year-end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act 131 of 1998, as amended, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

Advances on savings contributions are covered by the Fund and will be assessed for impairment. Refer to note 1.2 Impairment of financial assets.

In terms of the rules of the Fund, the funds that represent Medical Savings Accounts are invested on behalf of members in deposits held at call with banks and the interest earned accrues to the Fund. These monies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

**1.4 Provisions**

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made as to the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.



**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.4 Provisions (continued)**

*Outstanding claims provision*

Outstanding risk claims comprise provisions for the Fund's estimate of the ultimate cost of settling all claims incurred, but not yet reported, at the reporting date. Outstanding risk claims are determined as accurately as possible on the basis of a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim. Estimated co-payments and payments from personal Medical Savings Accounts are deducted in calculating the outstanding risk claims provision.

The Fund does not discount its provision for outstanding claims, since the effect of the time value of money is not considered material.

**1.5 Insurance contracts**

The set of Fund rules under which the Fund accepts significant insurance risk from another party (the member), by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary, is classified as an insurance contract. The contract issued compensates the Fund's members for healthcare expenses incurred.

*Insurance receivables*

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the EIR method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

**1.6 Contribution income**

Gross contributions are brought into account on an accrual basis. Risk contributions represent gross contributions after the deduction of Medical Savings Account contributions. The earned portion of risk contributions received is recognised as revenue. Risk contributions are earned from the date of attachment of risk over the indemnity period on a straight-line basis. Risk contributions are shown before the deduction of any costs.

**1.7 Claims**

Gross claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Fund is responsible, whether or not reported by the end of the year.

Net claims incurred comprise claims submitted and accrued for services rendered during the year, net of discounts, third-party recoveries and recoveries from members for co-payments and Medical Savings Accounts.

Anticipated recoveries from risk transfer arrangements are disclosed separately as assets and are assessed in a manner similar to the assessment of the outstanding claims provision and claims reported not yet paid.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.8 Risk transfer arrangements**

These are contracts entered into by the Fund with third-party service providers, being Netcare 911 (Pty) Ltd and Momentum Health Solutions (Pty) Ltd. Under these contracts the Fund is compensated for losses/claims through the provision of services to members by the service providers. Refer to note 2.3 on page 13 under the Report of the Board of Trustees for more details.

Contracts entered into by the Fund with third-party service providers under which the Fund is compensated for losses/claims (through the provision of services to members) on one or more contracts issued by the Fund and that meet the classification requirements of insurance contracts, are classified as risk transfer arrangements (re-insurance contracts). Only contracts that give rise to a significant transfer of insurance risk are accounted for as risk transfer arrangements. Risk transfer premiums/fees are recognised as an expense over the indemnity period on a straight-line basis. Where applicable, a portion of risk transfer premiums/fees are treated as pre-payments.

Assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding risk claims provisions and claims reported not yet paid. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the risk claims provisions, claims reported not yet paid and settled claims associated with the risk transfer arrangement, taking into account the terms of the contract. The amounts recoverable under such contracts are recognised in the same year as the related claim.

Risk transfer premiums (including managed healthcare services) are recognised as an expense over the indemnity period on a straight-line basis.

Claims incurred relating to risk transfer arrangements are calculated on the basis of subsequent settlements and prior year settlement trends.

Risk transfer premiums and benefits reimbursed are presented in surplus or deficit in the Statement of Financial Position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Risk transfer assets include balances due under risk transfer arrangements for outstanding claims provisions and claims reported not yet paid. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the outstanding claims provisions, claims reported not yet paid and settled claims associated with the risk transfer arrangement.

Amounts recoverable under risk transfer arrangements are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Fund may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Fund will receive under the risk transfer arrangement.

**1.9 Liabilities and related assets under liability adequacy test**

The liability under the Fund rules is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of any related assets. Where a shortfall is identified, an additional provision is made and the Fund recognises the deficiency in net (deficit)/surplus for the year.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.10 Investment income**

Interest income is recognised on a yield-to-maturity basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Fund. Dividend income is recognised as income when the Fund's right to receive payment is established.

**1.11 Taxation**

The Fund is registered under the Medical Schemes Act 131 of 1998. As a result it falls within the definition of a benefit fund, as defined in Section 1 of the Income Tax Act, and therefore the receipts and accruals of the Fund are exempt from taxation under Section 10(1)(d)(ii) of the Income Tax Act. The Fund is exempt from dividends tax on its dividend income by virtue of Section 64F(1)(f) of the Income Tax Act. The Fund was registered as an employer during 2018 for the purpose of paying over statutory deductions on behalf of employees of the Fund.

**1.12 Accredited managed healthcare expenses**

These expenses represent internal expenditure and the amount paid or payable to the third-party administrators, related parties and other third parties for managing the utilisation, costs and quality of healthcare services rendered to the Fund.

**1.13 Reimbursements from the Road Accident Fund (RAF)**

The Fund grants assistance to its members in defraying expenditure incurred in connection with rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act 56 of 1996. If the members are reimbursed by the RAF, they are contractually obliged to cede that payment to the Fund to the extent that they have already been compensated.

A reimbursement from the RAF is a possible asset that arises from a claim submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. If an inflow of economic benefits has become probable, the Fund discloses the contingent asset. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which certainty arises. Amounts received in respect of reimbursements from the RAF are recognised as a credit in net claims incurred in the Statement of Comprehensive Income.

**1.14 Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Fund. Fair values are determined according to the following hierarchy based on the requirements of IFRS 13: 'Fair value measurement':

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as closing prices) or indirectly (i.e. derived from closing prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.14 Fair value (continued)**

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities, as well as other non-current financial liabilities, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires management to use unobservable inputs in the model. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.
- There is an active market for the Fund's listed equity investments and quoted debt instruments.

**1.15 Allocation of income and expenditure to benefit options**

Income and expenditure are allocated to benefit options on a direct basis where this is determinable. Where income or expenditure is not directly attributable to a specific benefit option, the income or expense is allocated on the basis of the benefit option's membership proportionate to the Fund's overall membership base.

**2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
	<b>Note</b>	
Fair value at the beginning of the year	180 082 414	178 564 777
Additions	82 822 208	116 902 228
Disposals	(113 203 876)	(117 611 274)
Realised gain/(loss) on revaluation of financial assets at fair value	3 039 947	(209 572)
Unrealised loss on revaluation of financial assets at fair value	(1 056 633)	(9 689 957)
Investment income on financial assets at fair value	10 439 996	12 907 999
Movement in accrued income	674 233	324 290
Investment management fees	18 (1 040 958)	(1 106 077)
Fair value at the end of the year	<u>161 757 331</u>	<u>180 082 414</u>
Non-current	66 337 685	49 606 932
Current	<u>95 419 646</u>	<u>130 475 482</u>
	<u>161 757 331</u>	<u>180 082 414</u>

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

The financial assets at fair value through profit or loss consist of a pooled portfolio with Allan Gray Life Ltd, as well as a segregated portfolio managed by Sanlam Investment Management (Pty) Ltd. The Fund changed investment managers from Coronation Life Assurance Company Ltd to Sanlam Investment Management (Pty) Ltd during August 2019. The portfolios comprise the following assets:

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
Bonds	42 580 139	47 641 543
Equity	67 442 800	80 416 025
Money-market instruments	51 734 392	52 024 846
	<u>161 757 331</u>	<u>180 082 414</u>

The investments included above are administered by Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd. The fair values of these investments are based on market value at the reporting date. Refer to note 29.

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

**3. TRADE AND OTHER RECEIVABLES**

**Insurance receivables**

Contributions outstanding	1 773 486	504 685
Recoveries from members and service providers	671 592	650 292
Medical Savings Account advances	216 156	42 301
Less: Provision for doubtful debts	(523 397)	(689 535)
- Carrying amount at the beginning of the period	(689 535)	(413 697)
- Net decrease/(increase) in the provision during the period	166 138	(275 838)
	<u>2 137 837</u>	<u>507 743</u>
Risk transfer arrangements		
Share of outstanding claims provision	1 988 312	749 391
Claims recoveries due	-	156 661
	<u>4 126 149</u>	<u>1 413 795</u>

**Financial receivables\***

Accrued interest	310 690	828 432
- Standard Bank current account	30 737	34 342
- Prescient cash portfolio	-	119 857
- Nedgroup Corporate Money Market Fund	279 953	-
- Coronation portfolio	-	674 233
	<u>4 436 839</u>	<u>2 242 227</u>

\* The Fund has assessed the IFRS 9 expected credit losses impact on the financial receivables and concludes that there is no impact.

Please refer to note 29 on page 60 for the Fund's exposure to credit risk.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>4. CASH AND CASH EQUIVALENTS</b>		
Call account	-	36 441 708
Current account	1 642 242	3 216 858
Money-market account	62 185 796	-
	<u>63 828 038</u>	<u>39 658 566</u>

The average effective interest rate on the money-market account was 7.43% (call account 2018: 7.23%) and current account was 5.08% (2018: 4.68%). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

**5. INVESTMENT OF MEDICAL SAVINGS ACCOUNTS**

Call account	<u>12 385 521</u>	<u>7 274 727</u>
--------------	-------------------	------------------

The average interest rate on this call account was 5.08% (2018: 5.20%). In terms of its rules, interest accrues to the Fund and is therefore not allocated to the members' Medical Savings Accounts. The mismatch between the Medical Savings Account liability and investment relates to timing differences. These differences cleared after year-end.

**6. TRADE AND OTHER PAYABLES**

**Insurance payables**

Savings claims reported not yet paid	894 916	496 670
Amounts owing to members and service providers	1 809 756	1 018 373

**Financial payables**

Provision for audit fees	565 553	536 384
Stale cheques	-	137 577
Sundry payables and provisions	150 216	159 378
	<u>3 420 441</u>	<u>2 348 382</u>

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>7. MEDICAL SAVINGS ACCOUNTS (MSAs)</b>		
Balance on savings liability at the beginning of the year	8 669 656	-
Less: Advances on MSAs at the beginning of the year	(42 301)	-
Balance on MSA liability at the beginning of the year	8 627 355	-
Add:	57 940 585	56 132 472
MSA contribution received/receivable for the year	57 721 561	55 540 223
MSA adjustments	219 024	592 249
Less:	(52 755 706)	(47 505 117)
Claims paid on behalf of members	(52 190 982)	(47 390 550)
Refunds on death or resignations	(564 724)	(114 567)
	13 812 234	8 627 355
Add: Advances on MSA at the end of the year	216 156	42 301
MSA balance due to members at the end of the year	14 028 390	8 669 656

An MSA was introduced on the Plus Option effective 1 January 2018. In accordance with the rules of the Fund, Medical Savings Accounts are underwritten by the Fund. The funds are invested in a call account, the interest of which accrues to the Fund and is therefore not allocated to members.

It is estimated that claims to be paid from MSAs in respect of claims incurred in 2019, but not recorded, will amount to R1 118 334 (2018: R1 211 808) (refer to note 8). Advances on MSAs are included in accounts receivable (refer to note 3).

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

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

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**8. OUTSTANDING CLAIMS PROVISION**

	R	R
	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
<b>2019</b>		
Outstanding claims provision	1 988 312	16 742 566
Provision arising from liability adequacy test	-	-
	<u>1 988 312</u>	<u>16 742 566</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	749 391	14 684 925
Payments in respect of prior year	(749 391)	(12 504 000)
Over-provision in respect of prior year	-	2 180 925
Adjustment for current year	1 988 312	14 561 641
Balance at end of year	<u>1 988 312</u>	<u>16 742 566</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	17 860 900
Outstanding claims provision relating to risk transfer arrangements	1 988 312	-
Less: Estimated recoveries from MSAs	-	(1 118 334)
Balance at end of year	<u>1 988 312</u>	<u>16 742 566</u>
Total outstanding claims provision at end of year		<u>18 730 878</u>
<b>2018</b>		
Outstanding claims provision	749 391	14 684 925
Provision arising from liability adequacy test	-	-
	<u>749 391</u>	<u>14 684 925</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	1 161 317	12 028 897
Payments in respect of prior year	(1 161 317)	(11 056 155)
Over-provision in respect of prior year	-	972 742
Adjustment for current year	749 391	13 712 183
Balance at end of year	<u>749 391</u>	<u>14 684 925</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	15 896 733
Outstanding claims provision relating to risk transfer arrangements	749 391	-
Less: Estimated recoveries from MSAs	-	(1 211 808)
Balance at end of year	<u>749 391</u>	<u>14 684 925</u>
Total outstanding claims provision at end of year		<u>15 434 316</u>



**8. 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.

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 claims 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 the composition of membership; 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 following table. 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.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

---

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

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

	<b>2019</b>	<b>2018</b>
	%	%
Claims outstanding for:		
December	44	42
November	9	9
October	4	4
September	2	2
August and prior	2	1

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

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

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

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

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

	<b>Change in liability 2019</b>	<b>Change in liability 2018</b>
	R	R
Effect of a 1 percentage point change in all the assumed percentages	1 228 105	1 033 147
Effect of a 2 percentage point change in all the assumed percentages	2 456 210	2 088 465
Effect of a 3 percentage point change in all the assumed percentages	3 684 315	3 166 008

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

**9. RISK CONTRIBUTION INCOME**

Gross contributions per registered rules	362 399 462	343 776 894
Less: MSA contributions received/accrued	(57 721 561)	(55 540 223)
	<u>304 677 901</u>	<u>288 236 671</u>

The MSA contributions are received by the Fund in terms of Regulation 10(1) and the Fund's registered rules and held on behalf of its members. Refer to note 7 for more detail on how these monies were utilised.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>10. NET CLAIMS INCURRED</b>		
<b>Claims incurred, excluding claims incurred in respect of risk transfer arrangements</b>		
Current year claims per registered rules	280 429 699	263 515 764
Movement in outstanding risk claims provision	14 561 641	13 712 183
- Over provision in the prior year	(2 180 925)	(972 742)
- Provision for the current year	16 742 566	14 684 925
	294 991 340	277 227 947
Less:	(52 587 551)	(47 590 485)
- MSA claims paid	(52 190 982)	(47 390 550)
- Discount received on claims	(396 569)	(199 935)
	242 403 789	229 637 462
Claims are paid on behalf of the members from their MSAs in terms of Regulation 10(3) and the Fund's registered rules. Refer to note 7 for a breakdown of the movement in these balances.		
<b>Claims incurred in respect of risk transfer arrangements</b>		
Current year claims in respect of risk transfer arrangement	42 682 756	37 105 923
Movement in outstanding risk claims provision	1 988 312	749 391
	44 671 068	37 855 314
<b>Third-party claim recoveries</b>		
Recoveries from the Road Accident Fund	(2 602 635)	(2 617 184)
<b>TOTAL NET CLAIMS INCURRED</b>	<b>284 472 222</b>	<b>264 875 592</b>
<b>11. ACCREDITED MANAGED HEALTHCARE EXPENSES</b>		
Hospital risk management	2 315 531	2 282 888
HIV programme	439 556	434 177
Oncology management	306 645	302 146
HomeCare	471 457	464 228
Prescribed minimum benefit management	694 201	683 736
Medicine risk management	1 387 401	1 367 814
Electronic benefit management	878 992	866 543
Designated service provider network fees	885 017	871 724
	7 378 800	7 273 256

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>12. NET INCOME ON RISK TRANSFER ARRANGEMENTS</b>		
Premiums paid		
- Momentum Health Solutions (Pty) Ltd (Plus and Extended)	13 518 977	12 607 218
- Momentum Health Solutions (Pty) Ltd (Core)	24 924 433	18 513 488
- Netcare 911 (Pty) Ltd	824 034	812 101
	<u>39 267 444</u>	<u>31 932 807</u>
Recoveries received	(44 671 068)	(37 855 314)
- Momentum Health Solutions (Pty) Ltd (Plus and Extended)	(13 593 602)	(13 769 442)
- Momentum Health Solutions (Pty) Ltd (Core)	(29 479 564)	(22 837 732)
- Netcare 911 (Pty) Ltd	(1 597 902)	(1 248 140)
	<u>(5 403 624)</u>	<u>(5 922 507)</u>

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

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

The second risk transfer arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended Options.

The Netcare 911 (Pty) Ltd arrangement covers emergency evacuation from accident scenes or in case of sudden illness for beneficiaries on all three options.

**13. ADMINISTRATION AND OTHER EXPENSES**

Actuarial fees	1 475 220	1 397 930
Administration fees	24 393 735	23 461 513
Audit fees	567 793	530 832
Bank charges	161 186	164 115
Centre for Diabetes and Endocrinology	44 783	-
Council for Medical Schemes levies	387 109	359 626
Debt recovery charges	12 914	-
Health quality assessment	55 490	41 360
Hello Doctor	94 775	-
Independent Committee members' fees	146 261	128 072
Medical Advisor's fees	638 532	601 116
Membership fees	130 410	123 467
Operations Manager's remuneration	419 412	378 865
Principal Officer's remuneration	983 074	795 260
Printing, postage, stationery and communication services	39 936	526 422
Research project	85 675	-
Seminar and travel expenses (non-Trustees)	25 783	17 491
Trustee remuneration	48 010	27 357
Trustee liability insurance	58 500	55 000
	<u>29 768 598</u>	<u>28 608 426</u>

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>14. PROVISION FOR DOUBTFUL DEBTS</b>		
<i>Trade and other receivables</i>		
Contributions at risk of not being collected		
Decrease in provision for doubtful debts	108 995	41 521
Members' and service providers' claim portions at risk of not being collected		
Decrease/(Increase) in provision for doubtful debts	57 222	(317 439)
Less:		
Previous impairment losses recovered	-	80
	<u>166 217</u>	<u>(275 838)</u>
<b>15. INVESTMENT INCOME</b>		
Interest income on financial assets at fair value through profit or loss	8 136 202	10 097 281
Real Estate Investment Trust distribution income on financial assets at fair value	-	238 759
Dividend income on financial assets at fair value through profit or loss	2 303 794	2 571 959
Interest income on cash and cash equivalents	3 274 389	2 064 847
	<u>13 714 385</u>	<u>14 972 846</u>
<b>16. NET REALISED GAINS/(LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
Realised gains on financial assets at fair value through profit or loss	3 279 134	874 339
Realised losses on financial assets at fair value through profit or loss	(239 187)	(1 083 911)
	<u>3 039 947</u>	<u>(209 572)</u>
<b>17. SUNDRY INCOME</b>		
Prescribed stale cheques recognised as sundry income	137 577	56 222
Momentum Health Solutions (Pty) Ltd refund	-	9 133
	<u>137 577</u>	<u>65 355</u>
<b>18. INVESTMENT MANAGEMENT FEES</b>		
Prescient Investment Management (Pty) Ltd	-	233 521
Coronation Life Assurance Company Ltd	185 724	439 939
Allan Gray Life Ltd	774 525	432 617
Sanlam Investment Management (Pty) Ltd	80 709	-
	<u>1 040 958</u>	<u>1 106 077</u>

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

The outbreak of the coronavirus (COVID-19) during mid-January has disrupted the global economic markets. In making their estimates and judgements as at 31 December 2019, the Trustees took into consideration the economic conditions and forecasts as at that date.

The following events developed since 31 December 2019:

- On 23 March 2020, the President of South Africa announced a mandatory national lockdown for a period of 21 days, which commenced on 26 March 2020, as a measurement to curb the spread of COVID-19.
- On 27 March 2020, the rating agency, Moody's, announced its decision to downgrade South Africa's long-term foreign and local currency debt ratings from Ba1 to Baa3 and maintains a negative outlook of the country.

Since the beginning of 2020, due to the volatility of the global and local markets, the Fund has been experiencing unrealised losses on investments.

The sovereign downgrade will further add to the prevailing financial market stress. The performance of the Fund's investment portfolio, as illustrated below, will continuously be monitored by the Fund's asset managers.

The effects of COVID-19 and the downgrade are non-adjusting subsequent events for the year ended 31 December 2019 in terms of IAS 10 Events after the reporting period, because the significant development and the spreading of COVID-19 did not take place until January 2020 and the announcement of the downgrade only occurred on 27 March 2020. Therefore these events only occurred after 31 December 2019. Below are the assessments of each of the Fund's significant balance sheet items:

The majority (51%) of the Fund's investable assets were invested in cash, with 30% exposed to local equity markets, including investments in property. While the cash investments will be largely unaffected, the equity portion of the investments will decrease. The market value of the Allan Gray Life Ltd portfolio has decreased by 13% since December 2019 (31 December 2019: R81 422 740; 31 March 2020: R70 928 458), while the portfolio managed by Sanlam Investment Management (Pty) Ltd decreased by 12% over the same period (31 December 2019: R80 334 591; 31 March 2020: R70 689 903).

NMG Consultants and Actuaries (Pty) Ltd performed a COVID-19 impact analysis for the Fund. The population modelling reflected that it is critical that the transmission rate is reduced to the 0.40 level or below to contain the spread of COVID-19 in South Africa. The scenarios for transmission rates above 0.40 will be devastating. However, the financial impact on the Fund will be contained by the intensive care unit capacity constraints in private hospitals.

The potential impact that the pandemic will have on the Fund's participating employers was also considered, but it was deemed to be too early to make an assessment.

Provision for doubtful debts as at 31 December 2019 has been based on incurred events at balance sheet date. Given that the disruptions only occurred in March 2020, the amount recognised as at 31 December 2019 remains unchanged.

Provision for outstanding claims, as disclosed in note 8, is an estimate of the ultimate costs of settling all claims incurred before the end of the reporting period, but has not been reported to the Fund. Given the fact that the risk claims provision as at 31 December 2019 relates to 2019 and prior, the claims provision remains unchanged.

The Board of Trustees are of the opinion that these events, given the existing profile of the Fund's membership and the level of reserves held, will not have a material impact on the Fund's solvency. The Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

In addition, the financial reporting impact of COVID-19 will be considered in the 2020 Annual Financial Statements.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

---

**19. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD (CONTINUED)**

There have been no other events that have occurred between the end of the accounting period and the date of the approval of these Annual Financial Statements, other than items listed above, that the Trustees consider should be brought to the attention of the members of the Fund.

**20. CAPITAL ADEQUACY RISK**

The solvency ratio at year-end was 56.91% (2018: 58.99%). There are sufficient reserves to provide for adverse variations on present and future experiences.

**21. CONTINGENT LIABILITIES**

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees and suretyships or the like at 31 December 2019.

**22. CONTINGENT ASSET**

At year-end, claims amounting to R3 262 961 (2018: R6 432 979) had been lodged with the Road Accident Fund (RAF) relating to past medical expenses already paid, with the potential recovery value of R2 120 925 (2018: R3 815 795). These recoveries are dependent on finalisation by the RAF and corresponding legal processes that can take a number of years to conclude.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

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

The Fund has three benefit options – Core Option, Plus Option and Extended Option.

<b>2019</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>	30 032 458	236 731 128	37 914 315	304 677 901
<b>Relevant healthcare expenditure</b>	(24 924 433)	(217 839 991)	(43 682 974)	(286 447 398)
Risk claims incurred	(29 642 436)	(212 363 167)	(45 069 254)	(287 074 857)
Third-party claim recoveries	-	2 452 430	150 205	2 602 635
Accredited managed healthcare expenses	-	(6 952 210)	(426 590)	(7 378 800)
Net income/(expense) on risk transfer arrangements	4 718 003	(977 044)	1 662 665	5 403 624
<b>Gross healthcare result</b>	5 108 025	18 891 137	(5 768 659)	18 230 503
Administration and other expenses	(3 003 327)	(25 214 081)	(1 551 190)	(29 768 598)
Movement in provision for doubtful debts	24 919	133 112	8 186	166 217
<b>Net healthcare result</b>	2 129 617	(6 189 832)	(7 311 663)	(11 371 878)
<b>Other income</b>	2 432 604	12 626 990	775 682	15 835 276
Investment income	2 130 895	10 913 466	670 024	13 714 385
Net realised gains on financial assets at fair value through profit or loss	475 549	2 416 182	148 216	3 039 947
Unrealised losses on financial assets at fair value through profit or loss	(196 923)	(810 547)	(49 163)	(1 056 633)
Sundry income	23 083	107 889	6 605	137 577
<b>Other expenditure</b>	(161 771)	(828 349)	(50 838)	(1 040 958)
Investment management fees	(161 771)	(828 349)	(50 838)	(1 040 958)
<b>Net surplus/(deficit) for the year</b>	<b>4 400 450</b>	<b>5 608 809</b>	<b>(6 586 819)</b>	<b>3 422 440</b>



**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

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

<b>2018</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>	21 586 125	228 743 057	37 907 489	288 236 671
<b>Relevant healthcare expenditure</b>	(18 513 488)	(202 756 101)	(44 956 752)	(266 226 341)
Risk claims incurred	(22 974 687)	(197 806 007)	(46 712 082)	(267 492 776)
Third-party claim recoveries	-	2 459 430	157 754	2 617 184
Accredited managed healthcare expenses	-	(6 836 058)	(437 198)	(7 273 256)
Net income/(expense) on risk transfer arrangements	4 461 199	(573 466)	2 034 774	5 922 507
<b>Gross healthcare result</b>	3 072 637	25 986 956	(7 049 263)	22 010 330
Administration and other expenses	(2 240 486)	(24 775 440)	(1 592 500)	(28 608 426)
Movement in provision for doubtful debts	(32 592)	(229 492)	(13 754)	(275 838)
<b>Net healthcare result</b>	799 559	982 024	(8 655 517)	(6 873 934)
<b>Other income</b>	695 447	4 178 443	264 782	5 138 672
Investment income	2 026 366	12 174 967	771 513	14 972 846
Net realised gains on financial assets at fair value through profit or loss	(28 363)	(170 410)	(10 799)	(209 572)
Unrealised losses on financial assets at fair value through profit or loss	(1 311 401)	(7 879 257)	(499 299)	(9 689 957)
Sundry income	8 845	53 143	3 367	65 355
<b>Other expenditure</b>	(149 692)	(899 392)	(56 993)	(1 106 077)
Investment management fees	(149 692)	(899 392)	(56 993)	(1 106 077)
<b>Net surplus/(deficit) for the year</b>	<b>1 345 314</b>	<b>4 261 075</b>	<b>(8 447 728)</b>	<b>(2 841 339)</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.

**24. RELATED-PARTY TRANSACTIONS**

**Related-party relationships:**

**Parties with influence over the Fund**

Woolworths Holdings Ltd and Truworthe 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.

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

NMG Consultants and Actuaries (Pty) Ltd has significant influence over the Wooltru Healthcare Fund, as it consults and advises on various actuarial and strategic issues that guide the Fund's operations, including investment and clinical review matters.

Allan Gray Life Ltd, Coronation Life Assurance Company Ltd (terminated August 2019), as well as Sanlam Investment Management (Pty) Ltd (appointed August 2019), has significant influence over the Wooltru Healthcare Fund, as it manages the Fund's investments, which comprise a material portion of the Fund's total assets.

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

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund. Key management personnel include the Board of Trustees, the Principal Officer and members of various committees. The disclosure deals with all the Fund's officers, some of whom are compensated by the Fund on a fee or remuneration contribution basis (Principal Officer, Operations Manager and Medical Advisor) and some of whom are compensated on an attendance basis (retired, former full-time employees and independent members of committees). The balance of the Board of Trustees (including the Chairperson) receives no compensation from the Fund, as such Trustees are full-time employees of the participating employers.

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

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**24. RELATED-PARTY TRANSACTIONS (CONTINUED)**

**Transactions with related parties**

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

Key management personnel

	<b>2019</b>	<b>2018</b>
<i>Compensation</i>	<b>R</b>	<b>R</b>
Principal Officer's remuneration	983 074	795 260
Operations Manager's remuneration	419 412	378 865
Medical Advisor's fees	638 532	601 116
Trustee remuneration and independent Committee members' fees	194 271	155 429
	2 235 289	1,930,670

**Statement of Comprehensive Income**

Risk contributions received	677 375	650 772
Claims incurred	447 137	451 879
Catering fees: Woolworths (Pty) Ltd	14 543	17 491

**Statement of Financial Position**

Investments in participating employers of members		
Truworths International Ltd	59 652	87 003
Woolworths Holdings Ltd	1 126 222	1 998 664
Operations Manager's remuneration	-	32 585
Principal Officer's remuneration	140 416	-

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>
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.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**24. RELATED-PARTY TRANSACTIONS (CONTINUED)**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<i>Other transactions</i>		
<b>Transactions with entities that have significant influence over the Fund</b>		
<b>Statement of Comprehensive Income</b>		
Administration fees paid to Momentum Health Solutions (Pty) Ltd	24 393 735	23 461 513
Managed healthcare fees and capitation premiums paid to Momentum Health Solutions (Pty) Ltd	45 822 210	38 393 962
Claims recoveries from Momentum Health Solutions (Pty) Ltd	(43 073 166)	(36 607 174)
Investment management fees paid to the appointed investment managers	1 040 958	1 106 077
Actuarial fees paid to Willis Towers Watson (Pty) Ltd	-	115 733
Actuarial fees paid to NMG Consultants and Actuaries (Pty) Ltd	1 475 220	1 282 197
<b>Statement of Financial Position</b>		
Claims recoveries due	-	156 661
Investments in the holding company of the Administrator	557 253	1 438 433

**Terms and conditions of the administration agreement**

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

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

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

**Terms and conditions of the Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd contracts**

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

**Terms and conditions of the actuarial and investment consulting agreement**

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

**25. ACCOUNTING STANDARDS ISSUED, BUT NOT YET EFFECTIVE**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's Annual Financial Statements, are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

**International Financial Reporting Standards (IFRS) 17 Insurance contracts**

In May 2017, the International Accounting Standards (IAS) Board issued IFRS 17 Insurance contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent with insurers. In contrast to the requirements of IFRS 4, which are largely based on the grandfathering previous Accounting Policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant aspects. The core of IFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach);
- a simplified approach (the premium allocation approach), mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the Fund also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Fund has not early adopted this accounting standard.

**Amendments to IFRS 3: Definition of a business**

In October 2018, the IAS Board issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Fund will not be affected by these amendments on the date of transition.

**Amendments to IAS 1 and IAS 8: Definition of material**

In October 2018, the IAS Board issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting fund."

The amendments to the definition of material are not expected to have a significant impact on the Fund's Annual Financial Statements.

**26. CRITICAL ACCOUNTING JUDGEMENT AND KEY ESTIMATION ASSUMPTIONS**

In the process of applying the Fund's Accounting Policies, management has made the following judgement that has a significant effect on the amounts recognised in the Annual Financial Statements.

The assumption used to determine the provision for outstanding claims is a key assumption that has a significant risk of causing a material adjustment to the carrying amounts of liabilities in the next financial year (refer to note 8). When arriving at this provision it is assumed that the reporting and settlement trend of claims incurred, but not reported, will be similar to that of the previous financial period.

**26. CRITICAL ACCOUNTING JUDGEMENT AND KEY ESTIMATION ASSUMPTIONS (CONTINUED)**

The provision is based on percentages derived from the previous financial period, adjusted for changes in assumptions regarding the expected percentages of claims to be settled in respect of each of the four months preceding the financial year-end in the following financial period before the claims become stale.

The Fund applies judgement in assessing the expected credit losses relating to financial assets. Refer to section 1.1 in the Accounting Policy above for more information on the areas of estimation.

Although the assumption is considered critical, settlements against the provision subsequent to year-end have been monitored and the reasonability of the original provision has been confirmed.

**27. INSURANCE RISK MANAGEMENT**

*Risk management objectives and policies for mitigating 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. Certain risks are mitigated by entering into risk transfer arrangements, as set out in note 12.

The Fund uses several methods to assess and monitor insurance risk exposure, both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**27. INSURANCE RISK MANAGEMENT (CONTINUED)**

The following table summarises the concentration of insurance risk, with reference to the carrying amount of the medical claims incurred, by age group and in relation to the type of risk covered/benefits provided.

**2019**

Age grouping (in years)	Number of beneficiaries	General practitioners	Specialists	Dentistry	Optometry	Medication	Hospital	Other	Total
		R	R	R	R	R	R	R	R
<25	6 500	750 650	8 221 886	400 903	69 065	1 125 595	18 190 036	1 336 585	30 094 720
25 – 34	3 516	623 428	8 776 712	111 478	1 501	1 622 257	14 102 997	2 088 379	27 326 752
35 – 49	4 960	1 277 302	19 114 945	351 032	166 177	4 818 879	32 246 997	3 860 458	61 835 790
50 – 64	2 006	662 979	13 514 571	549 511	308 680	3 781 399	21 082 381	5 772 910	45 672 431
>64	1 252	755 323	18 566 171	383 475	305 717	4 109 331	31 261 393	4 863 990	60 245 400
Momentum Health Solutions (Core Option)	-	3 922 493	1 086 947	561 503	252 244	2 076 639	18 008 046	1 647 800	27 555 672
Momentum Health Solutions (Extended Option)	-	-	-	-	-	13 593 602	-	-	13 593 602
Netcare 911	-	-	-	-	-	-	-	1 597 902	1 597 902
IBNR	18 234	7 992 175	69 281 232	2 357 902	1 103 384	31 127 702	134 891 850	21 168 024	267 922 269
Total									16 549 953
									284 472 222

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**27. INSURANCE RISK MANAGEMENT (CONTINUED)**

2018

Age grouping (in years)	Number of beneficiaries	General practitioners	Specialists	Dentistry	Optometry	Medication	Hospital	Other	Total
		R	R	R	R	R	R	R	R
<25	6 639	892 834	9 168 784	398 631	93 403	1 230 324	19 245 888	1 652 529	32 682 393
25 – 34	3 731	798 483	10 391 866	120 425	13 442	1 440 328	17 853 273	2 288 694	32 906 511
35 – 49	4 814	1 180 451	17 242 374	362 971	186 094	4 793 661	24 181 508	3 361 835	51 308 894
50 – 64	1 972	621 287	13 038 914	491 407	297 658	3 840 284	17 465 967	4 244 411	39 999 928
>64	1 229	662 199	19 272 915	510 469	244 681	3 636 653	26 126 712	5 207 349	55 660 978
Momentum Health Solutions (Core Option)	-	3 651 282	274 547	420 127	188 756	1 181 447	14 964 467	2 157 106	22 837 732
Momentum Health Solutions (Extended Option)	-	-	-	-	-	13 769 442	-	-	13 769 442
Netcare 911	-	-	-	-	-	-	-	1 248 140	1 248 140
	18 385	7 806 536	69 389 400	2 304 030	1 024 034	29 892 139	119 837 815	20 160 064	250 414 018
IBNR									14 461 574
Total									264 875 592



**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

---

**27. INSURANCE RISK MANAGEMENT (CONTINUED)**

*Risk management objectives and policies for mitigating insurance risk (continued)*

The Fund's insurance risk management strategy utilises diverse measures to mitigate risk. It is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The strategy is set out in the annual business plan, which specifies the benefits to be provided on each option.

The changes to the Fund rules, which comprise the contract with the member, take place at least annually. Management information, including contribution income and claims ratios by option, is reviewed monthly. There is also an underwriting review programme that reviews a sample of contracts on a quarterly basis to ensure adherence to the Fund's objectives.

*Risk transfer arrangements*

The Fund transfers a portion of the risks it underwrites via capitation agreements in order to control its exposure to losses and protect capital resources. The capitation agreements are, in substance, the same as non-proportional re-insurance treaties.

*Claims development*

Claims development tables are not presented, since the uncertainty regarding the amount and timing of claims payments is typically resolved within one year.

*Insurance risk sensitivity analysis*

The Fund is exposed to insurance risk, as the Fund assumes the risk of losses incurred by members and their dependants arising directly from ill health. As such, the Fund is exposed to uncertainty surrounding the timing and severity of claims under the Fund's rules, which constitute the insurance contract.

The insurance risk sensitivity analysis measures the effect that a change in one of the insurance variables will have on the fair value of the provision for outstanding claims as at the reporting date. The analysis is based on the assumption that a change in a specific variable occurs while all other variables remain constant.

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

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

	<b>Change in liability 2019</b>	<b>Change in liability 2018</b>
	<b>R</b>	<b>R</b>
Effect of a 1 percentage point change in all the assumed percentages	1 228 105	1 033 147
Effect of a 2 percentage point change in all the assumed percentages	2 456 210	2 088 465
Effect of a 3 percentage point change in all the assumed percentages	3 684 315	3 166 008

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

The change in the liability will be recognised against claims incurred in the surplus or deficit.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**28. CAPITAL MANAGEMENT**

The Fund's objective is to manage its capital in such a way that the annual member contribution increase is as low as possible or at least in line with the participating employers' salary increases, while maintaining an adequate solvency ratio. The Fund uses some of its investment income to fund any possible deficit that might occur as a result of operational losses.

Capital adequacy risk is the risk that there may be insufficient reserves to provide for adverse variations on actual and future claims experience.

The Fund monitors capital using a solvency ratio, which is accumulated funds divided by gross contributions (refer to note 3.3 in the Report of the Board of Trustees). The Fund uses accumulated funds, excluding cumulative unrealised gains on investments at fair value, as a measure of capital.

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

This measure of capital is consistent with the prior year and there have been no changes in the Fund's objectives, policies and procedures for managing capital during the year.

**29. FINANCIAL RISK MANAGEMENT**

**Analysis of carrying amounts of financial assets and financial liabilities per category**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>Financial assets</b>		
Financial assets at fair value (mandatory at fair value through profit or loss)	161 757 331	180 082 414
Bonds	42 580 139	47 641 543
Equity	67 442 800	80 416 025
Money-market instruments	51 734 392	52 024 846
Amortised cost	64 138 728	40 486 998
Cash and cash equivalents (mandatory at amortised cost)	63 828 038	39 658 566
Financial receivables (mandatory at amortised cost)	310 690	828 432
Insurance receivables (mandatory at amortised cost)	4 126 149	1 413 795
<b>Financial liabilities</b>		
Financial liabilities at amortised cost (mandatory at amortised cost)	19 446 647	16 267 655
Outstanding claims provision	18 730 878	15 434 316
Financial payables	715 769	833 339
Insurance payables (mandatory at amortised cost)	2 704 672	1 515 043
Medical Savings Account monies (mandatory at amortised cost)	14 028 390	8 669 656

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**29. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Risk management**

The Fund's activities expose it to a variety of financial risks, including the effects of changes in equity market prices and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Fund holds to meet its obligations to its members.

Risk management and investment decisions are made by the Board of Trustees with the assistance of the Investment Committee. The Investment Committee identifies and evaluates financial risks associated with the Fund's investment portfolio. The Investment Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity. All of these written policies are subject to approval by the Board of Trustees. The financial instruments are classified on a look-through basis for market risk, interest rate risk and equity risk.

*Liquidity risk*

Liquidity risk is the risk that the Fund may be in a position where it cannot pay claims as they fall due and also pay its suppliers or services providers. This may occur where the Fund's assets are tied up in investments that cannot be readily converted into cash to meet current obligations.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and maintaining the availability of funding through holding liquid cash positions with various financial institutions to ensure that the Fund has the ability to fund its day-to-day operations.

At year-end R63 828 038 (2018: R39 658 566) of the Fund's assets were invested in cash or cash equivalents to ensure that it can meet its short-term liabilities. The table below illustrates the prudent liquidity profile of the Fund:

	<b>Up to 1 month</b>	<b>2 – 3 months</b>	<b>4 – 12 months</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2019</b>				
<b>To satisfy:</b>				
Outstanding claims provision	9 292 696	7 694 071	1 744 111	18 730 878
Medical Savings Account monies	21 080	105 945	13 901 365	14 028 390
Insurance payables	2 704 672	-	-	2 704 672
Financial payables	291 603	395 888	28 278	715 769
<b>Total</b>	<b>12 310 051</b>	<b>8 195 904</b>	<b>15 673 754</b>	<b>36 179 709</b>
<b>2018</b>				
<b>To satisfy:</b>				
Outstanding claims provision	6 512 067	4 015 502	4 906 747	15 434 316
Medical Savings Account monies	43 047	63 257	8 563 352	8 669 656
Insurance payables	1 515 043	-	-	1 515 043
Financial payables	651 234	156 090	26 015	833 339
<b>Total</b>	<b>8 721 391</b>	<b>4 234 849</b>	<b>13 496 114</b>	<b>26 452 354</b>

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**29. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Credit risk*

The Fund's credit risk arises from the risk that its primary debtors will default on their debt by failing to make payments of principal and interest, which they are obligated to make.

Cash and cash equivalents are invested only with high credit quality financial institutions. The Fund invests in pooled investment vehicles with reputable institutions. The investments are highly liquid and can be disinvested at any time. The Fund has a policy of limiting the amount of credit exposure to any one financial institution. The table below illustrates the recoverability of the Fund's receivables.

This represents the Fund's maximum exposure to credit risk.

	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>	<b>Total carrying amount</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2019</b>				
Insurance receivables				
- Contributions outstanding	1 693 736	67 510	12 240	1 773 486
- Recoveries from members and providers	26 693	133 742	511 157	671 592
- Medical Savings Account advances	216 156	-	-	216 156
- Risk transfer receivables	1 988 312	-	-	1 988 312
Financial assets at fair value through profit or loss	161 757 331	-	-	161 757 331
Cash and cash equivalents	63 828 038	-	-	63 828 038
Financial receivables	310 690	-	-	310 690
<b>Total</b>	<b>229 820 956</b>	<b>201 252</b>	<b>523 397</b>	<b>230 545 605</b>
<b>2018</b>				
Insurance receivables				
- Contributions outstanding	352 235	31 215	121 235	504 685
- Recoveries from members and providers	69 103	12 809	568 380	650 292
- Medical Savings Account advances	42 301	-	-	42 301
- Risk transfer receivables	906 052	-	-	906 052
Financial assets at fair value through profit or loss	180 082 414	-	-	180 082 414
Cash and cash equivalents	39 658 566	-	-	39 658 566
Financial receivables	828 432	-	-	828 432
<b>Total</b>	<b>221 939 103</b>	<b>44 024</b>	<b>689 615</b>	<b>222 672 742</b>

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**29. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Credit risk (continued)*

Age analysis of past due amounts of receivables that have not been impaired:

	<b>30 days</b>	<b>60 days</b>	<b>90 days</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2019</b>				
- Contributions outstanding	34 577	17 938	14 995	67 510
- Amounts recoverable from members and providers	105 626	28 116	-	133 742
<b>Past due total</b>	<b>140 203</b>	<b>46 054</b>	<b>14 995</b>	<b>201 252</b>
<b>2018</b>				
- Contributions outstanding	14 925	16 290	-	31 215
- Amounts recoverable from members and providers	6 139	6 670	-	12 809
<b>Past due total</b>	<b>21 064</b>	<b>22 960</b>	<b>-</b>	<b>44 024</b>

*Market risk*

The Fund is exposed to market risk, which is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market prices. Market price risk comprises three types of risks: currency risk, interest rate risk and equity price risk.

*Currency risk*

The Fund operates in South Africa and therefore its cash flows are denominated in South African rand (ZAR). The investment managers invest in a foreign collective investment scheme comprising call accounts and unsettled cash balances, which exposes the Fund to foreign currency risk resulting from fluctuations in foreign exchange rates during the year.

For purposes of seeking investment diversification, the Fund has invested 7.41% (2018: 5.40%) of its investable assets in an offshore account. As at 31 December 2019, this equates to R17.64m (2018: R12.27m).

*Interest rate risk*

The Fund may hold all its investments in interest-bearing instruments. Therefore a significant portion of the Fund's investments are exposed to changes in market interest rates. The effective interest rate earned on all interest-bearing instruments in 2019 was 8.29% (2018: 7.10%). The interest earned was from a combination of fixed and floating interest-rate instruments. The floating interest rates are linked to the Johannesburg Interbank Average Rate (Jibar).

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**29. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Interest rate risk (continued)*

The tables below summarise the Fund's exposure to interest rate risk. Included in the table are the Fund's investments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

<b>Up to 1 month</b>	<b>1 – 6 months</b>	<b>7 – 12 months</b>	<b>More than 1 year</b>	<b>Total</b>
<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>

**2019**

Financial assets at fair value	4 207 373	18 978 335	4 791 138	66 337 685	94 314 531
Cash and cash equivalents	63 828 038	-	-	-	63 828 038
<b>Total</b>	<b>68 035 411</b>	<b>18 978 335</b>	<b>4 791 138</b>	<b>66 337 685</b>	<b>158 142 569</b>

Equities are excluded, as they are not exposed to changes in market interest rates.

**2018**

Financial assets at fair value	7 897 161	32 216 750	6 613 652	52 938 826	99 666 389
Cash and cash equivalents	39 658 566	-	-	-	39 658 566
<b>Total</b>	<b>47 555 727</b>	<b>32 216 750</b>	<b>6 613 652</b>	<b>52 938 826</b>	<b>139 324 955</b>

Equities are excluded, as they are not exposed to changes in market interest rates.

*Equity price risk*

The Fund is directly and indirectly exposed to equity price risk, as it invested funds in South African equities through a pooled and segregated investment portfolio. The Fund's equity portfolio is a long-term investment and the funds invested in this portfolio are not needed in the short or medium term. This mitigates the risk for short-term fluctuations in the equity market. The Fund appointed reputable asset managers with a good track record in terms of performance.

**Market-risk sensitivity analysis**

*Fair value sensitivity analysis*

The market-risk sensitivity analysis measures the effect that a change in one market risk variable will have on the financial asset at fair value through profit or loss as at the reporting date. The analysis is based on the assumption that a change in a specific variable occurs while all other variables remain constant. The market-risk variables include currency value, interest rate and equity price. The following tables illustrate the resulting fair value change with various fluctuations in a specific variable.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**29. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Market-risk sensitivity analysis (continued)**

The table below indicates the movement on the total pooled investments.

*ZAR versus US dollar currency value sensitivity analysis*

	<b>Fair value</b>	<b>5% strengthening in ZAR</b>	<b>10% strengthening in ZAR</b>	<b>20% strengthening in ZAR</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2019</b>				
Financial assets at fair value	161 757 331	160 778 500	159 799 669	157 842 007
Net surplus for the year	3 422 440	2 443 609	1 464 778	(492 884)
<b>2018</b>				
Financial assets at fair value	180 082 414	179 152 308	178 222 200	176 361 987
Net deficit for the year	(2 841 339)	(3 771 445)	(4 701 553)	(6 561 766)

*Interest rate sensitivity analysis*

	<b>Fair value</b>	<b>1% increase in interest rate</b>	<b>2.5% increase in interest rate</b>	<b>5% increase in interest rate</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2019</b>				
Financial assets at fair value	161 757 331	160 414 949	158 401 377	155 045 423
Net surplus for the year	3 422 440	2 080 058	66 486	(3 289 468)
<b>2018</b>				
Financial assets at fair value	180 082 414	178 047 313	176 050 698	172 734 938
Net deficit for the year	(2 841 339)	(4 876 440)	(6 873 055)	(10 188 815)

*Equity price sensitivity analysis*

	<b>Fair value</b>	<b>5% decrease in equity market</b>	<b>10% decrease in equity market</b>	<b>20% decrease in equity market</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2019</b>				
Financial assets at fair value	161 757 331	158 765 005	155 772 678	149 788 026
Net surplus for the year	3 422 440	430 114	(2 562 213)	(8 546 865)
<b>2018</b>				
Financial assets at fair value	180 082 414	176 934 002	173 785 589	167 488 763
Net deficit for the year	(2 841 339)	(5 989 751)	(9 138 164)	(15 434 990)

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2019 (continued)**

**29. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Market-risk sensitivity analysis (continued)**

The 2018 market sensitivity analysis was restated to also reflect the negative impact of the change in the equity market.

The Fund was also indirectly exposed to equity price risk, as it dealt in equities. Historically the equity investment strategy was to protect capital by limiting any loss to 5% of exposed capital. This was achieved by hedging exposures with other derivative instruments. The equity price risk was therefore limited to strategic actions by the investment managers. The derivatives below were not held directly by Wooltru Healthcare Fund and the exposure resulted from the funds in which the Fund invested.

	<b>Market exposure</b>	<b>5% decrease in equity market</b>	<b>10% decrease in equity market</b>	<b>20% decrease in equity market</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2019</b>				
Derivatives – gross of hedge exposure	280 012	266 011	252 011	224 010
Derivatives – net of hedge exposure	-	-	-	-
<b>2018</b>				
Derivatives – gross of hedge exposure	22 991 248	19 761 814	16 532 379	10 073 510
Derivatives – net of hedge exposure	-	-	-	-

**Fair value estimation**

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

**Fair values of financial assets by hierarchy level**

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

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Reclassification</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2019</b>					
Financial assets at fair value					
Money-market instruments	-	51 734 392	-	-	51 734 392
Equity instruments	67 442 800	-	-	-	67 442 800
Bonds	-	42 580 139	-	-	42 580 139
	67 442 800	94 314 531	-	-	161 757 331
<b>2018</b>					
Financial assets at fair value					
Money-market instruments	-	52 024 846	-	-	52 024 846
Equity instruments	80 416 025	-	-	-	80 416 025
Bonds	-	47 641 543	-	-	47 641 543
	80 416 025	99 666 389	-	-	180 082 414



**30. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT 131 OF 1998**

The Council for Medical Schemes stipulated, via circular 11 of 2006, that all cases of non-compliance with the Act should be disclosed in the Annual Financial Statements. The following matters are accordingly disclosed:

**30.1 Non-compliance for which the Fund has not received exemption**

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

*Nature and impact*

The Council for Medical Schemes has approved the rules of the Wooltru Healthcare Fund in terms of Section 33(2) of the Medical Schemes Act. As per the submission approved by the Registrar, the Extended Option was in a net deficit position of R6 586 819 (2018: R8 447 728) representing 2.2% (2018: 2.9%) 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 17.4% (2018: 22.3%) of the Extended Option's annual risk contribution income for 2019.

*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 78% of the Fund's membership, would have to pay higher contributions in future. It is therefore in the interest of the Plus Option members to keep the Extended Option available. The Trustees are satisfied that, as a whole, the Fund is financially sound.

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

*Nature and impact*

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

During the 2019 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 2019, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R67 510 (2018: R31 215). This amount represents 0.02% (2018: 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.

*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.

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

**30.2 Non-compliance for which the Fund has received an exemption**

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

*Nature and impact*

Wooltru Healthcare Fund, through Allan Gray Life Ltd and Sanlam Investment Management (Pty) Ltd, held investments in participating employers, as well as holding companies of medical scheme administrators, as at 31 December 2019. This is in contravention of Section 35(8) (a) and (c) of the Act, as the Fund is not allowed to hold shares in the holding company of an administrator or any participating employer. See section 8 of the Report of the Board of Trustees for further detail.

*Cause of failure*

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

*Corrective action*

The Fund received an exemption in December 2019 from the Council for Medical Schemes from complying with Section 35(8) (a) and (c), insofar as it relates to investments placed with asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund. The exemption was granted up until 30 November 2022.

**31. PROFESSIONAL LIABILITY INSURANCE**

The Fund, its Trustees and Officers of the Fund were covered under Trustee liability insurance throughout the year ended 31 December 2019. The insurance amounted to R50 000 000 (2018: R50 000 000) for any single claim and R100 000 000 (2018: R100 000 000) in aggregate.

**32. GOING CONCERN**

The Trustees believe that the Fund has adequate financial resources to continue in operation for the foreseeable future and accordingly the Annual Financial Statements have been prepared on a going-concern basis. The Trustees are satisfied that the Fund is in a sound financial position and will be able to meet its foreseeable cash requirements. The Trustees are not aware of any new material changes that may adversely impact the Fund, except for disclosure made in note 19.

Other than the non-compliance disclosed in note 30, the Trustees are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation that may affect the Fund.

**WOOLTRU HEALTHCARE FUND  
REMUNERATION POLICY**

---

**1. INTRODUCTION**

This document contains the current Wooltru Healthcare Fund Remuneration Policy in respect of Trustees and Committee members, as agreed by the Board of Trustees.

**2. REMUNERATION ELIGIBILITY**

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

**3. REMUNERATION POLICY**

The basic principle of all remuneration paid by the Fund is that remuneration should be fair and reasonable, commensurate with the qualification and experience of the incumbent, the responsibilities carried, the level of care, skill and expertise required and the degree of attentiveness needed, while neither 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 that the Trustee/Committee member attends, or as per the agreed-upon terms.

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

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

**4. REMUNERATION**

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

**5. REMUNERATION REVIEW**

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

**6. ANNUAL GENERAL MEETING**

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

Signed on behalf of the Wooltru Healthcare Fund's Board of Trustees at the Annual General Meeting held on 26 August 2020.

---

**Chairperson of the Board of Trustees**

---

**Trustee**

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

---

**ANNEXURE 1**

**2020 CALENDAR YEAR: REMUNERATION STRUCTURE FOR INDEPENDENT TRUSTEE/COMMITTEE MEMBERS**

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

<b>Category</b>	<b>Agreed-upon fee structure</b>
Member-elected Trustee (not a full-time employee)	R10 082 per meeting
Independent Chairperson – Audit Committee	R12 094 per meeting

Signed on behalf of the Wooltru Healthcare Fund's Board of Trustees at the Annual General Meeting held on 26 August 2020.

---

**Chairperson of the Board of Trustees**

---

**Trustee**