



NOTICE IS HEREBY GIVEN THAT THE FIFTIETH ANNUAL GENERAL MEETING OF WOOLTRU HEALTHCARE FUND WILL BE HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 21 JUNE 2016 AT 14:00.

AGENDA

1. Chairperson's welcome to members
2. To read the notice convening the Annual General Meeting
3. To adopt the minutes of the Annual General Meeting held on 23 June 2015
4. To adopt the annual report of the Board for the year ended 31 December 2015
5. To adopt the financial statements for the year ended 31 December 2015
6. To adopt the report of the auditors for the year ended 31 December 2015
7. To appoint the auditors for the ensuing year
8. To confirm the appointment of member-elected Trustees (if applicable)
9. To approve the Trustee remuneration policy
10. General

By order of the Board

KEITH TITLEY
PRINCIPAL OFFICER

MINUTES OF THE FORTY-NINTH ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 23 JUNE 2015 AT 14:00

- **PRESENT:** 35 members represented in person and four proxies were received in favour of the Chairperson
- **CHAIRPERSON:** Ms Z Rylands
- **PRINCIPAL OFFICER:** Mr K Titley
- **APOLOGIES:** Ms J Van Zyl (Metropolitan Health)

1. OPENING AND WELCOME

The Chairperson opened the meeting and welcomed those present.

A special word of welcome was extended to the representatives of Metropolitan Health Corporate (Pty) Ltd, (the Fund's Administrator), the Fund's Medical Advisor and the Fund's actuaries, Towers Watson.

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

2. NOTICE OF THE MEETING

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

3. CONFIRMATION OF MINUTES OF THE PREVIOUS AGM HELD ON 24 JUNE 2014

Ms Malander proposed that the minutes of the 2014 Annual General Meeting be approved and adopted.

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

The minutes of the forty-eighth AGM held on 24 June 2014 were signed as a true record of the proceedings.

4. REPORT OF THE BOARD OF TRUSTEES (BOT) FOR THE YEAR ENDED 31 DECEMBER 2014

The annual report of the BOT for the year ended 31 December 2014, having been circulated, was presented to the meeting.

5. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Annual Financial Statements for the year ended 31 December 2014, having been circulated, were presented to the meeting.

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

6. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2014

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

Mr Gillman proposed that the audited financial statements, the report of the BOT, and the report of the auditors for the year ended 31 December 2014 be approved and adopted.

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

7. APPOINTMENT OF THE AUDITORS FOR THE ENSUING YEAR

The proposal by the Audit Committee and BOT that the Fund renew the appointment of Ernst & Young Inc as the external auditors to the Fund for the financial year ending 31 December 2015 was presented to the meeting.

MINUTES OF THE FORTY-NINTH ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON TUESDAY, 23 JUNE 2015 AT 14:00 (CONTINUED)

7. APPOINTMENT OF THE AUDITORS FOR THE ENSUING YEAR (CONTINUED)

Ms Malander proposed that the appointment of Ernst & Young Inc as the external auditors to the Fund for the financial year ending 31 December 2015 be approved and adopted.

Ms Wolhuter seconded the proposal, which was unanimously adopted.

8. APPOINTMENT OF MEMBER-ELECTED TRUSTEES

The meeting noted that nominations for one member to be appointed as continuation member-elected Trustee and two members to be appointed as Truworths member-elected Trustees had been received from members in respect of three vacancies.

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

- Mr Brian Tate (re-elected); and
- Mr Andre Hector.

The re-appointment of Mr Gillman as the continuation member-elected Trustee was presented for confirmation.

Mr Buddle proposed that the appointment of the above Trustees be confirmed.

Mr Nesbitt seconded the proposal, which was unanimously adopted.

The Chairperson welcomed Messrs Gillman, Tate and Hector as the new member-elected Trustees and extended a special vote of thanks to the outgoing Truworths member-elected Trustee, Mr Hlengwa, for his contribution to the Fund over the past three years.

9. 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 New proposed that the remuneration policy in respect of independent Trustees and committee members be approved and adopted.

Ms Abernethy seconded the proposal, which was unanimously adopted.

10. GENERAL

No general items were raised for discussion.

11. CLOSURE OF MEETING

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

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

APPROVED AND SIGNED THIS _____ DAY OF _____

CHAIRPERSON

PRINCIPAL OFFICER

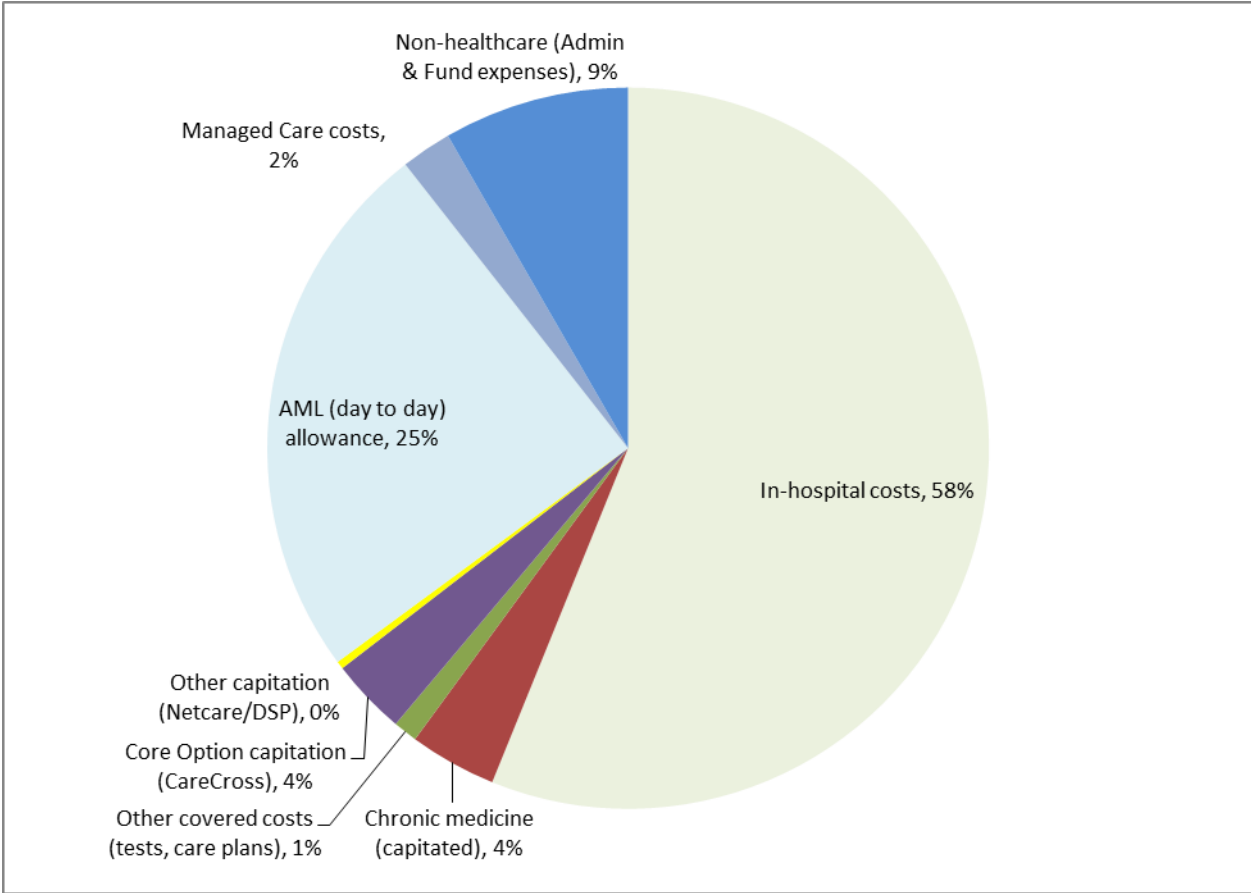
**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2015**

CHAIRPERSON’S REVIEW

As Chairperson of the Board of Trustees of the Wooltru Healthcare Fund (the Fund), I have pleasure in presenting the Board’s report for the year ended 31 December 2015.

The 2015 financial year yielded more favourable results for the Fund when compared to 2014. The net healthcare deficit (before investment income) for the year amounted to R9.5 million (2014: R20.4 million). The Core Option broke even for the year (2014: R0.1 million surplus), while the Plus Option yielded a net healthcare deficit of R3.1 million (2014: R10.4 million deficit), and the Extended Option reflected a net healthcare deficit of R6.4 million (2014: R10.2 million deficit). Investment returns (net of fees) yielded R10.0 million for the year (2014: R12.0 million), which resulted in an overall surplus for the year of R0.5 million (2014: R8.4 million deficit).

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



*AML: Annual medical allowance

Source: Willis Towers Watson

Accumulated funds (excluding revaluation reserves) as at 31 December 2015 were R183.0 million (2014: R182.5 million) while the solvency ratio of 65.0% (2014: 71.8%) continues to compare favourably against the statutory minimum solvency level of 25%.

The Fund therefore remains financially sound and is well-positioned to meet its future challenges. During the year, the Board undertook a five-year strategic planning exercise, which provided a clearer view of the areas where the Fund’s benefit structures can be improved to reduce future operational losses and to ensure that the Fund remains financially viable until 2020, with a positive view for the years thereafter.

Contributions to the Fund were increased with effect from 1 January 2016 by 7.25% for the Core Option, 8.75% for the Plus Option and 9.75% for the Extended Option.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2015 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

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

1. GOVERNANCE

The Fund's management and service providers as at 31 December 2015 were:

1.1 Board of Trustees (BOT):

Employer appointed	Member elected
- Ms Z Rylands (Chairperson)	Mr J Gillman (Retiree representative)
- Mr C Durham	Mr A Hector
- Ms S Malander	Mr S Latta
- Mr S Pillay	Mr T Magagula
- Mr R Buddle	Mr B Tate

Subsequent changes to the BOT after 31 December 2015:

- Mr R Buddle (term of office ended 29 February 2016)
- Mr C Durham (term of office ended 29 February 2016)
- Mr I Thompson (appointed 1 March 2016)
- Ms Z Mowzer (appointed 1 March 2016)

As the terms of office of all Trustees remain current until June 2017, we do not anticipate any member-elected Trustee appointments being made at the Fund's 2016 Annual General Meeting.

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

1.2 Fund committees:

- Audit Committee: Chairperson: Mr E Rood (Independent)
- Benefits Committee: Chairperson: Ms S Malander (Trustee)
- Clinical Committee: Chairperson: Dr A Davidson (Medical Advisor)
- Ex gratia Committee: Chairperson: Dr A Davidson (Medical Advisor)
- Investment Committee: Chairperson: Mr R Buddle (Trustee)
- Disputes Committee: Ms H Drabbe (Truworths), Ms A Gale (Woolworths) and Ms T Sishuba-Mashego (Woolworths)

Subsequent changes to the above after 31 December 2015:

- Mr R Buddle: Investment Committee (term of office ended 29 February 2016)
- Ms S Malander: Investment Committee Chairperson (appointed 1 March 2016)
- Ms T Sishuba-Mashego: Disputes Committee (resigned 31 January 2016)
- Mr P Dyini (Woolworths): Disputes Committee (appointed 1 February 2016)

1.3 Fund officers:

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

1.4 Service providers:

- Actuaries, consultants and investment advisors: Willis Towers Watson (Pty) Ltd
- Administrator: Metropolitan Health Corporate (Pty) Ltd
- Asset managers: Prescient Investment Management (Pty) Ltd and Coronation Asset Management (Pty) Ltd
- Auditors: Ernst & Young Inc.
- Emergency evacuation: Netcare 911 (Pty) Ltd
- Managed care: Metropolitan Health Risk Management (Pty) Ltd
- Multiply wellness programme: Momentum Interactive (Pty) Ltd
- Network and designated service provider (DSP): CareCross Health (Pty) Ltd

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2015 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

1. GOVERNANCE (CONTINUED)

1.4 Service providers:

Agreements with service providers are reviewed annually and are renewable depending on fee negotiations, unless notification of termination of the agreement is provided by either party. All service provider fees are calculated on an arm's length basis on market-related terms.

2. DESCRIPTION OF SCHEME

2.1 Terms of registration

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

2.2 Fund benefit options

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

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

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

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

3. INVESTMENT POLICY OF THE FUND

The BOT continues to invest funds in accordance with the requirements of the Act and accompanying regulations, and in line with the relaxation of the limits of investment in equities granted to the Fund by the Registrar of Medical Schemes in 2008. In 2015, the Fund applied for, and was granted, exemption in respect of section 35 of the Act, which prohibits a medical scheme from holding shares in any medical scheme administrator or any of its participating employers. This application was to facilitate the ownership of such shares at the sole discretion of the Fund's independent third-party asset managers, where such managers have full discretionary mandates and where the shares of such portfolios are not held directly in the name of the Fund.

As at 31 December 2015, the Fund's investible assets were split between the appointed asset managers, as follows:

- Prescient Investment Management (Pty) Ltd (Prescient): 46%
- Coronation Asset Management (Pty) Ltd (Coronation): 54%

The Fund's asset managers achieved the following investment returns (before fees) as at 31 December 2015 in respect of the portfolios in which the Fund was invested:

- Prescient: 2015 year: 7.19%, *three years*: 9.70%, *five years*: 9.78%
- Coronation: 2015 year: 1.34%, *three years**: 7.21%, *five years**: 8.79%*
- *Inflation*: 2015 year: 5.23%, *three years*: 5.31%, *five years*: 5.54%

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

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2015 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

3. INVESTMENT POLICY OF THE FUND (CONTINUED)

The Fund's Investment Committee has been monitoring the recent poor performance of Coronation and a decision was taken early in 2016 to transfer a portion of the Fund's investments from Coronation to Prescient. Following this transfer, the split of investible assets between the two managers was: Prescient 66%/Coronation 34%.

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

4. REVIEW OF THE YEAR'S ACTIVITIES

4.1 Operational activities

	2015	2014	% change
Number of members at year end	9,890	9,337	5.92%
Average number of members for the year	9,641	9,187	4.94%
Average contribution per member per month (R)	2,434	2,305	5.60%
Average claims incurred per member per month (R)	2,307	2,286	0.79%
Dependants to member ratio at 31 December	0.97	1.00	-3.09%
Average age of beneficiaries	30	30	-%
Pensioner ratio	14.67%	15.85%	-1.18%
Administration costs per member per month (R)	209	220	-5.26%
Claims as a percentage of contributions	94.78%	99.18%	-4.52%
Administration expenses as a percentage of contributions	8.60%	8.82%	-0.22%
Accumulated funds ratio (solvency ratio) at year-end	65.00%	71.82%	-6.73%

4.2 Financial results

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

4.3 Net healthcare result per option

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

	2015 R'000	2014 R'000
Core	(13)	96
Plus	(3 057)	(10 356)
Extended	(6 426)	(10 159)
Total (deficit)	(9 496)	(20 419)

Although operational deficits (prior to investment income) were experienced on all options for 2015, the Fund remains in an overall financially sound position.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2015 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

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

4.4 Reserves

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

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

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

	2015		2014	
	R'million		R'million	
General reserve	112.6	40.0%	101.6	40.0%
HIV reserve	20.9	11.4%	20.2	8.0%
Surplus asset reserve	49.5	13.6%	60.7	23.8%
Total members' funds	183.0		182.5	
Solvency ratio at year end: (% of annual contributions)		65.0%		71.8%

The Board continually monitors the Fund's solvency ratio and has agreed to allow the ratio to be reduced gradually towards the 40% general reserve minimum by utilising a portion of reserves to subsidise annual contribution increases. This process is managed by the Fund's actuaries in conjunction with the Board and is reviewed annually.

4.5 Outstanding claims

Movements in the outstanding claims provision are set out in the summarised statement of financial position. There have been no unusual movements in this provision that the Trustees believe should be brought to members' attention.

5. COMMUNICATION TO MEMBERS

The Fund publishes a quarterly newsletter to members, which keeps members up to date with developments in the Fund and the healthcare industry as a whole. A membership communication pack was sent to members at the end of 2015 detailing the benefits and contributions for 2016. In addition, members are encouraged to visit the Fund's website (www.wooltruhealthcarefund.co.za) regularly. The site is hosted by the Administrator and can be used for information relating to the rules of the Fund and other pertinent information.

6. HIV/AIDS PROGRAMME

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

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
FOR THE YEAR ENDING 31 DECEMBER 2015 (CONTINUED)**

CHAIRPERSON'S REVIEW (CONTINUED)

7. INTERESTS OF OFFICE BEARERS

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

8. AUDIT COMMITTEE

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

The Audit Committee was responsible for reviewing the 2015 audited annual financial statements.

9. CONTRIBUTION INCREASES AND BENEFIT REVIEW

Willis Towers Watson (Pty) Ltd, the Fund Actuaries, assists the Board of Trustees with the Fund's financial planning, investment strategy, reserving requirements and the annual benefit and pricing review. The BOT makes decisions after consulting with the actuaries. The actuaries attend all the quarterly BOT meetings and various committee meetings, where required.

10. INDUSTRY DEVELOPMENTS

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

11. VOTE OF APPRECIATION

I would like to express my thanks to my fellow Trustees, the Principal Officer, the Fund Manager, the Fund actuaries, the Medical Advisor, our independent committee members, all our service providers and everyone else involved in ensuring that the Fund continues to meet its objectives.

12. CONCLUSION

The Wooltru Healthcare Fund remains financially sound, and the Trustees are confident that the Fund will continue to serve its members as effectively and fairly as possible by facing up to the challenges thrown at us by the ever-changing South African healthcare environment. I would like to take this opportunity to wish all our members good health for the remainder of 2016 and beyond.



Zyda Rylands
Chairperson

April 2016



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Co. Reg. No. 2005/002308/21

REPORT OF THE INDEPENDENT AUDITOR TO THE TRUSTEES OF WOOLTRU HEALTHCARE FUND

Report on the summary financial statements

The summary financial statements of Wooltru Healthcare Fund, as set out on pages 24 to 39, which comprise the summary statement of financial position at 31 December 2015, and the summary statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and related notes, are derived from the audited financial statements of Wooltru Healthcare Fund for the year ended 31 December 2015. We expressed an unmodified audit opinion on those financial statements in our report dated 26 April 2016.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Wooltru Healthcare Fund.

Trustees' Responsibility for the Summary Financial Statements

The Trustees are responsible for the preparation of a summary of the audited financial statements in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Auditor's Responsibility

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

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Wooltru Healthcare Fund for the year ended 31 December 2015 are consistent, in all material respects, with those financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Ernst & Young Inc.

Ernst & Young Inc
Director – Pierre du Plessis
Registered Auditor
Chartered Accountant (SA)

9 May 2016
Ernst & Young House
35 Lower Long Street
Cape Town

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

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

BOARD OF TRUSTEES

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

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

INTERNAL CONTROL

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

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



Ms Z Rylands
Chairperson



Ms S Malander
Trustee



Mr K Titley
Principal Officer

9 May 2016

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2015**

The Board of Trustees hereby presents its report for the year ended 31 December 2015.

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

1. MANAGEMENT

1.1 Board of Trustees (BOT)

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

Employer-appointed Trustees

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

Member-elected Trustees

- Mr J Gillman (Retiree representative)
- Mr N Hlengwa (Term ended 23 June 2015)
- Mr A Hector (Appointed 23 June 2015)
- Mr S Latta
- Mr T Magagula
- Mr B Tate

Subsequent changes to the composition of the BOT after 31 December 2015:

- Mr R Buddle (Term of office ended 29 February 2016)
- Mr C Durham (Term of office ended 29 February 2016)
- Mr I Thompson (Appointed 1 March 2016)
- Ms Z Mowzer (Appointed 1 March 2016)

1.2 Principal Officer

Mr K Titley

Physical Address

15 Croft Road
Constantia
7806

Postal Address

15 Croft Road
Constantia
7806

1.3 Registered office address

Business address

Wooltru Healthcare Fund
Parc du Cap
Bellville
7530

Postal address

Wooltru Healthcare Fund
PO Box 15403
Vlaeberg
8018

Country of registration and domicile

South Africa

1.4 Scheme administrator: Metropolitan Health Corporate (Pty) Ltd

Business address

Parc du Cap
Mispel Road
Bellville
7530

Postal address

PO Box 4313
Cape Town
8000

1. MANAGEMENT (CONTINUED)

1.5 Investment Managers

Prescient Investment Management (Pty) Ltd

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

Financial services provider number: 2545

Coronation Asset Management (Pty) Ltd

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

Financial service provider number: 548

1.6 Principal participating employers

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

1.7 Auditor: Ernst & Young Inc.

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

1.8 Actuaries and investment advisors : Towers Watson (Pty) Ltd, part of the Willis Towers Watson Group

Business address	Postal address
Great Westerford Building 2nd Floor, Suite 2, South Wing 240 Main Road Rondebosch 7701	Private Bag X30 Rondebosch 7700

2. DESCRIPTION OF THE FUND

2.1 Terms of registration:

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

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2015 (continued)**

2. DESCRIPTION OF THE FUND (CONTINUED)

2.2 Options within the Wooltru Healthcare Fund

The Fund offers three benefit options to members :

- Core
- Plus
- Extended.

None of these options have a savings plan.

2.3 Risk transfer arrangements

During 2015 the Fund renewed the risk transfer arrangements with CareCross Health (Pty) Ltd, Metropolitan Health Risk Management (Pty) Ltd and Netcare 911 (Pty) Ltd.

The CareCross (Pty) Ltd 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 Metropolitan Health Risk Management (Pty) Ltd risk transfer arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended options. This arrangement includes a profit-sharing agreement whereby the Fund is entitled to 85% of the profit from the risk transfer arrangement in excess of 5% of the annual capitation premiums. The Fund does not participate in a loss. This agreement has been effective from 1 January 2010. For the year ended 31 December 2015, an amount of R286,635 (2014: R1,285,249) was provided for as the profit allocation from this agreement. Refer to Note 9 of the summarised annual financial statements.

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

2.4 Changes in operating environment

There have been no significant changes in the Fund's operating environment during 2015.

3. REVIEW OF THE YEAR'S ACTIVITIES

3.1 Operational activities

2015

	Core	Plus	Extended	Total
Number of members at year end	809	8 391	690	9 890
Number of beneficiaries at year end	1 269	16 837	1 414	19 520
Average number of members for the year	725	8 213	704	9 641
Average number of beneficiaries for the year	1 160	16 546	1 438	19 144
Dependants to member ratio at year end	0.57	1.01	1.05	0.97
Average age of beneficiaries for the year	29	29	45	30
Pensioner ratio (%)	13.96	11.88	49.42	14.67
Risk contributions per average member per month (R)	1 292	2 335	4 763	2 434
Risk contributions per average beneficiary per month (R)	807	1 159	2 332	1 226
Relevant healthcare expenditure as a percentage of risk contributions (%)	88.27	92.18	111.45	94.78
Relevant healthcare expenditure per average member per month (R)	1 140	2 152	5 309	2 307

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2015 (continued)**

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

3.1 Operational activities (continued)

2015

	Core	Plus	Extended	Total
Relevant healthcare expenditure per average beneficiary per month (R)	713	1 068	2 600	1 162
Amounts paid to administrator (R)	998 707	17 281 984	1 494 310	19 775 001
Average administration cost per member per month (R)				209
Average administration cost per beneficiary per month (R)				105
Administration cost as a percentage of risk contributions (%)	11.86	9.15	4.52	8.60
Average managed care expense per member per month (R)	-	62	62	57
Average managed care expense per beneficiary per month (R)	-	31	30	29
Non-healthcare expenditure as a percentage of risk contributions (%)	11.84	9.15	4.52	8.59
Accumulated funds per member at 31 December (R)				18 501
Realised return on investments as a percentage of investments (%)				5.01
Total return on investments (%)				4.10

2014

	Core	Plus	Extended	Total
Number of members at year end	678	7 920	739	9 337
Number of beneficiaries at year end	1 120	16 012	1 567	18 699
Average number of members for the year	648	7 786	753	9 187
Average number of beneficiaries for the year	1 072	15 783	1 592	18 447
Dependants to member ratio at year end	0.65	1.02	1.12	1.00
Average age of beneficiaries for the year	30	29	43	30
Pensioner ratio (%)	16.81	12.73	46.82	15.85
Risk contributions per average member per month (R)	1 234	2 187	4 448	2 305
Risk contributions per average beneficiary per month (R)	746	1 079	2 104	1 148
Relevant healthcare expenditure as a percentage of risk contributions (%)	88.35%	95.49%	120.53%	99.18%
Relevant healthcare expenditure per average member per month (R)	1 090	2 088	5 362	2 286
Relevant healthcare expenditure per average beneficiary per month (R)	659	1 030	2 536	1 139
Amounts paid to administrator (R)	735 394	16 138 461	1 575 215	18 449 070
Average administration cost per member per month (R)				220
Average administration cost per beneficiary per month (R)				101
Administration cost as a percentage of risk contributions (%)	10.58	9.54	4.73	8.82
Average managed care expense per member per month (R)	-	58	58	54

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2015 (continued)**

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

3.1 Operational activities (continued)

2014

	Core	Plus	Extended	Total
Average managed care expense per beneficiary per month (R)	-	29	27	27
Non-healthcare expenditure as a percentage of risk contributions (%)	10.64%	9.58%	4.74%	8.85%
Accumulated funds per member at 31 December (R)				19 548
Realised return on investments as a percentage of investments (%)				5.98
Total return on investments (%)				8.09

3.2 Financial results

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

	2015	2014
	R	R
Solvency ratio		
The solvency ratio is calculated on the following basis:		
General reserve	162 047 581	162 262 698
HIV reserve	20 926 283	20 257 635
Revaluation reserve	4 198 687	8 192 486
Total members' funds as per summarised statement of financial position	187 172 551	190 712 819
Less: Revaluation reserve	(4 198 687)	(8 192 486)
Accumulated funds	<u>182 973 864</u>	<u>182 520 333</u>
Contribution income per summarised statement of comprehensive income	281 603 371	254 135 033
Accumulated funds as a percentage of risk contributions	<u>64.98%</u>	<u>71.82%</u>

The solvency ratios for both 2015 and 2014 reflected above were calculated using accumulated funds (including the HIV reserve), as required by the CMS. The minimum solvency ratio required by the CMS is 25%. At the BOT meeting dated 26 August 2003, a decision was taken to maintain a general reserve of not less than 40% of annualised risk contributions.

3.3 Reserve accounts

Movements in the reserves are set out in the summarised statement of changes in funds and reserves on page 26.

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

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

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

3.3 Reserve accounts (continued)

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

3.4 Outstanding claims provision

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

Movements on the outstanding claims provision are set out in Note 7 to the summarised annual financial statements on pages 29 to 31.

4. INVESTMENT POLICY OF THE FUND

Prescient Investment Management (Pty) Ltd (Prescient) and Coronation Asset Management (Pty) Ltd (Coronation) are the Fund's appointed investment managers. Prescient manages two portfolios for the Fund, namely a money-market portfolio and a positive return portfolio. The Fund invests in compliance with the requirements of the Act. In December 2009, the Trustees approved an updated investment policy, increasing the maximum allowable effective exposure to equities from 40% to 50% of the Fund's invested assets. The positive return portfolio managed by Prescient was changed to reflect the increased maximum for effective exposure to equities of 50%. As at 31 December 2015, the effective equity exposure of the positive return portfolio managed by Prescient amounted to 34.8% (2014: 37.0%) of the total amount invested. In January 2013, the Fund invested assets in the positive return portfolio managed by Coronation. This portfolio is pooled across a number of medical schemes and the mandate cannot be customised for one participant. The mandate for the positive return portfolio managed by Coronation limits the effective equity exposure to 40%.

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

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

- achieve a return after investment management fees of at least CPI + 2 percentage points per annum for those assets required to meet the Fund's liquidity needs;
- achieve a return after investment management fees of at least CPI + 5 percentage points per annum for those assets not required to meet the Fund's liquidity needs;
- take advantage of market opportunities that will allow those assets not required to meet the Fund's liquidity needs to achieve a return after investment management fees in excess of CPI + 5 percentage points per annum; and
- manage the Fund's investments within a risk constraint that avoids the likelihood of achieving a negative return of more than 5% of the Fund's invested assets over any calendar year.

The Fund's investment strategy is to:

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

5. ACTUARIAL VALUATION

An actuarial valuation is not required for the Fund due to the short-term nature of the Fund's assets and liabilities. The contribution tables set for the Fund are subject to an annual review by actuaries specialising in healthcare to ensure that the Fund remains in a financially sound position. The review of contributions for the 2016 year was set out in a report dated September 2015 and confirmed that the Fund was in a financially sound position. The report complied with the requirements of the Professional Guidance Note issued by the Actuarial Society of South Africa (PGN303 – Advice to South African Medical Schemes on Adequacy of Contributions).

6. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

There have been no events that have occurred subsequent to the end of the accounting period that affect the summarised annual financial statements, and that the Trustees consider should be brought to the attention of the members of the Fund.

7. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 131 OF 1998

The CMS stipulated, via circular 11 of 2006, that all cases of non-compliance with the Act should be disclosed in the annual financial statements. Refer to Note 15 of the summarised annual financial statements. The following matters are disclosed for information purposes only:

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

Nature and impact

Wooltru Healthcare Fund has obtained approval for the registration of loss-making options from the Registrar in terms of Section 33(2) of the Act. As per the submission approved by the Registrar, the Extended Option was in a net deficit position of R5,732,294 (2014: R9,172,070) representing 2.0% (2014: 3.6%) of the aggregated risk contribution income of the Fund. In respect of the previous financial year, the Plus Option had also been in a net deficit position of R153,636.

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 14.2% (2014: 22.8%) of the Extended Option's annual risk contribution income for 2015. Under the Plus Option, the prior year deficit occurred because of unexpected high claims towards the end of the financial year. This deficit position represents 0.1% of the Plus Option's annual contributions for 2014.

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 85% of the Fund membership, would have to absorb higher contribution increases in future. It is thus in the interest of the Plus Option members to keep the Extended Option available. The Trustees are satisfied that as a whole the Fund is financially sound.

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

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the scheme. The rules state that contributions should be received no more than three days after they become due. During the 2015 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 2015, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R8,421 (2014:R93,877). This amount represents 0.003% (2014: 0.03%) of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Act.

Cause of failure

The contribution debtors at year end relate to membership changes after initial contributions were raised. These discrepancies were communicated to the employers and pension administrators and paid in the following month.

Corrective action

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

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2015 (continued)**

7. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 131 OF 1998 (CONTINUED)

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

Nature and impact

In terms of the Act and specifically Section 59(2), it is a requirement that claims should be paid within 30 days of receipt thereof. Regulation 6 furthermore states that the member and service provider need to be informed in the event that a claim is unacceptable for payment. The contravention of the Act could lead to service providers no longer providing services needed by the Fund.

Cause of failure

One claim line was paid late due to the claim being placed on hold for clinical intervention. The other claim line was paid late due to human error. The agent that processed the claim did not follow the correct procedure for the reprocessing of the claim.

Corrective action

The claims on hold report will be reviewed before every claims payment run to ensure that claims do not fall outside the 30 days statutory requirement. The member and healthcare provider will be notified from 20 days. Furthermore the claims reprocessing procedure will also be reinforced with staff.

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

Nature and impact

Wooltru Healthcare Fund, through Coronation & Prescient, holds investments in participating employers as well as holding companies of medical scheme administrators as at 31 December 2015. This is in contravention of Section 35(8) (a) and (c) of the Act, as the Fund is not allowed to hold shares in the holding company of an administrator or any participating employer.

Cause of failure

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

Corrective action

The Fund received an exemption in November 2013 from the CMS from complying with Section 35(8)(a) and (c), in so far as it relates to investments placed with asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund. The exemption was granted up until 31 December 2014 and was subsequently extended until 31 December 2015.

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

The Wooltru Healthcare Fund, through the Coronation Pooled Portfolio and the Prescient Positive Return Portfolio, holds the following investments at fair value in participating employers as well as in the holding companies of medical scheme administrators at 31 December 2015:

	2015	2014
	R	R
Discovery Holdings Ltd	222 872	64 612
Liberty Holdings Ltd	239 015	221 420
MMI Holdings Ltd	667 752	657 158
Sanlam Ltd	208 924	241 570

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2015 (continued)**

8. INVESTMENTS IN PARTICIPATING EMPLOYERS OF MEMBERS OF THE FUND AND IN MEDICAL SCHEME ADMINISTRATORS (CONTINUED)

	2015	2014
	R	R
Truworths International Ltd	297 775	306 812
Woolworths Holdings Ltd	776 667	618 872
	<u>2 413 005</u>	<u>2 110 444</u>

Refer to Note 14 for detailed disclosure in terms of related parties. The Fund obtained an exemption from Section 35 (8)(a) & (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 15 for detailed disclosures in terms of non-compliance with the Act.

9. AUDIT COMMITTEE

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

- 9 April 2015
- 12 August 2015
- 27 October 2015.

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

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

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

- | | |
|-------------------|--|
| - Mr E Rood | Chairperson/ Independent |
| - Mr R Buddle | Trustee |
| - Mr C Durham | Trustee |
| - Mr D Crisp | Non-trustee |
| - Ms Z Mowzer | Non-trustee |
| - Mr P Wannenburg | Non-trustee (resigned 1 February 2015) |
| - Mr T Meyer | Non-trustee (appointed 1 August 2015, resigned 1 October 2015) |

Subsequent changes to the composition of the Audit Committee after 31 December 2015:

- | | |
|-----------------|---|
| - Mr R Buddle | Trustee (term of office ended 29 February 2016) |
| - Mr C Durham | Trustee (term of office ended 29 February 2016) |
| - Mr P Dyini | Non-trustee (appointed 1 March 2016) |
| - Mr I Thompson | Trustee (appointed 1 March 2016) |

10. INVESTMENT COMMITTEE

An Investment Committee was established during 2005. The Investment Committee meets quarterly and the responsibility of the committee is to advise the BOT on investment matters. The Investment Committee must comprise of at least four members of whom at least half shall be Trustees. The Investment Committee met on four occasions during 2015 as follows:

- 29 January 2015
- 20 April 2015
- 15 July 2015
- 28 October 2015.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2015 (continued)**

10. INVESTMENT COMMITTEE (CONTINUED)

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

- | | |
|----------------------|---|
| - Mr P Wannenburg | Chairperson/non-Trustee (resigned 1 February 2015) |
| - Mr R Buddle | Chairperson/Trustee (appointed as Chairperson 25 February 2015) |
| - Ms K van der Merwe | Non-Trustee (resigned 1 August 2015) |
| - Mr T Magagula | Trustee |
| - Ms S Malander | Trustee |
| - Mr C Durham | Trustee (appointed 1 May 2015) |
| - Ms A Kirsten | Non-Trustee (appointed 1 August 2015) |

Subsequent changes to the composition of the Investment Committee after 31 December 2015:

- | | |
|-----------------|---|
| - Mr R Buddle | Chairperson/Trustee (term of office ended 29 February 2016) |
| - Ms S Malander | Chairperson/Trustee (as from 1 March 2016) |
| - Mr C Durham | Trustee (term of office ended 29 February 2016) |
| - Mr I Thompson | Trustee (appointed 1 March 2016) |

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 2015.

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

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

Subsequent changes to the composition of the Disputes Committee, after 31 December 2015:

- | | |
|------------------------|---|
| - Ms T Sishuba-Mashego | Woolworths Holdings Ltd (resigned 31 January 2016) |
| - Mr P Dyini | Woolworths Holdings Ltd (Appointed 1 February 2016) |

12. BENEFITS COMMITTEE

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

The Benefits Committee met on four occasions during 2015 as follows:

- 20 April 2015
- 15 July 2015
- 3 August 2015
- 28 October 2015.

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

- | | |
|-------------------|--|
| - Ms S Malander | Chairperson/Trustee |
| - Mr J Gillman | Trustee |
| - Mr S Latta | Trustee |
| - Mr M Smith | Non-Trustee |
| - Mr C du Plessis | Non-Trustee |
| - Ms P Beukes | Non-Trustee (appointed 25 November 2015) |

Subsequent changes to the composition of the Audit Committee after 31 December 2015:

- | | |
|---------------|---|
| - Mr M Smith | Non-Trustee (Term of office ended 29 February 2016) |
| - Ms H Drabbe | Non-Trustee (Appointed 1 March 2016) |

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2015 (continued)**

13. CLINICAL COMMITTEE

A Clinical Committee was established on 29 May 2013 for the purpose of researching, analysing and reviewing matters of clinical importance to the Fund and its beneficiaries. The Committee advises the BOT on all strategic and operating matters of a clinical nature and assists in monitoring the Fund's compliance with the Act, as it relates to the clinical aspect of benefits provided by the Fund. The Clinical Committee met on four occasions during 2015 as follows:

- 3 February 2015
- 6 May 2015
- 11 August 2015
- 4 November 2015.

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

- Dr T Davidson Medical Advisor and Chairperson
- Ms J Wolhuter Fund Manager
- Mr S Pillay Trustee
- Mr N Hlengwa Trustee (term ended June 2015)
- Ms S Malander Trustee (appointed June 2015)
- Ms A Brandes Fund administrator's representative
- Mr F Mbumbwa Fund actuaries' representative
- Dr N van Soelen Fund managed care provider's representative

14. EX GRATIA COMMITTEE

An Ex-Gratia Committee was established on 29 May 2013 for the purpose of analysing and reviewing requests for financial assistance by members who are faced with sudden large unexpected medical costs that are not ordinarily recoverable from the Fund in terms of its benefit structure and which the member is unable to meet without assistance from the Fund. The committee assists the Board in monitoring the Fund's benefit structure and will make recommendations to the Board where they believe any benefit should be enhanced or amended. The Ex Gratia Committee met once during 2015 on 5 November 2015.

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

- Dr T Davidson Medical Advisor and Chairperson
- Ms J Wolhuter Fund Manager
- Mr B Tate Trustee
- Mr J Gillman Trustee
- Ms A Brandes Fund administrator's representative
- Ms E Simons Fund administrator's representative (appointed 31 October 2015)
- Dr N van Soelen Fund managed care provider's representative
- Mr F Mbumbwa Fund actuaries' representative

15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE

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

Trustee / committee member Number of meetings for the year	Board meetings		Investment Committee meetings		Audit Committee meetings		Benefits Committee meetings		Clinical Committee Meetings		Ex Gratia Committee Meetings	
	4		4		3		4		4		1	
	A	B	A	B	A	B	A	B	A	B	A	B
Trustees												
Mr R Buddle	5	4	4	2	3	2						
Mr C Durham	5	4	4	3	3	2						
Mr J Gillman	5	5					4	3			1	1
Mr N Hlengwa (resigned: 23 June)	3	2							2	1		
Ms S Malander	5	4	4	4			4	3	2	2		

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2015 (continued)**

15. TRUSTEE AND COMMITTEE MEETING ATTENDANCE (CONTINUED)

Trustee / committee member Number of meetings for the year	Board meetings		Investment Committee meetings		Audit Committee meetings		Benefits Committee meetings		Clinical Committee Meetings		Ex Gratia Committee Meetings	
	4		4		3		4		4		1	
	A	B	A	B	A	B	A	B	A	B	A	B
Trustees												
Mr S Pillay	5	4							4	3		
Ms Z Rylands	5	2										
Mr S Latta	5	4					4	4				
Mr T Magagula	5	4	4	3								
Mr B Tate	5	4										
Mr A Hector (appointed: 23 June)	2	2										
Principal Officer												
Mr K Titley	5	5	4	4	3	2	4	4				
Committee members												
Mr D Crisp (Audit)					3	3						
Ms J Wolhuter (Clinical/Ex gratia)									4	4	1	1
Dr T Davidson (Clinical/Ex gratia)									4	4	1	1
Ms K van der Merwe (Investment)			4	1								
Mr F Mbumbwa (Clinical/Ex gratia)									4	4	1	0
Ms A Brandes (Clinical/Ex gratia)									4	4	1	1
Dr N van Soelen (Clinical/Ex gratia)									4	4	1	1
Mr C du Plessis (Benefits)							4	4				
Ms Z Ganie (Audit)					3	2						
Mr E Rood (Audit)					3	3						
Mr M Smith (Benefits)							4	1				
Mr P Wannenburg (Audit/Investment)			1	1								
Mr T Meyer (Audit)					1	1						
Ms P Beukes (Benefits)							1	1				
Ms E Simons (Ex gratia)											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 14.

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Notes	2015 R	2014 R
ASSETS			
Non-current assets			
Available-for-sale investments	10	82 473 236	78 179 154
Current assets			
Trade and other receivables		117 880 650	125 986 601
Available-for-sale investments	10	2 004 986	3 019 427
Cash and cash equivalents		88 449 306	106 092 933
		27 426 357	16 874 241
Total assets		200 353 886	204 165 755
FUNDS AND LIABILITIES			
Members' funds			
General reserve		187 172 551	190 712 819
HIV reserve		162 047 581	162 262 697
Revaluation reserve		20 926 283	20 257 635
		4 198 687	8 192 486
Current liabilities			
Trade and other payables		13 181 335	13 452 936
Outstanding claims provision	7	678 704	611 220
		12 502 631	12 841 716
Total funds and liabilities		200 353 886	204 165 755

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

	Notes	2015 R	2014 R RESTATED
Risk contribution income		281 603 371	254 135 033
Relevant healthcare expenditure		(266 896 207)	(252 059 204)
Net claims incurred	8	(258 515 547)	(244 471 494)
Risk claims incurred		(258 767 054)	(244 473 529)
Third-party claim recoveries		251 507	2 035
Managed care: management services		(6 593 789)	(5 955 626)
Net expense on risk transfer arrangements	9	(1 786 871)	(1 632 084)
Premiums paid on risk transfer arrangements		(22 286 003)	(19 956 733)
Recoveries received on risk transfer arrangements		20 499 132	18 324 649
Gross healthcare result		14 707 164	2 075 829
Administration and other expenses		(24 213 680)	(22 414 108)
Net impairment gains/(losses) on trade and other receivables		10 297	(80 711)
Net healthcare result		(9 496 219)	(20 418 990)
Other income		11 999 972	12 889 550
Investment income	11	11 580 687	11 202 056
Net realised gains on available-for-sale investments	12	408 659	1 686 019
Sundry income		10 626	1 475
Other expenditure		(2 050 222)	(850 475)
Investment management fees		(2 050 222)	(850 475)
Net surplus/(deficit) for the year		453 531	(8 379 915)
Other comprehensive income			
Items that will be reclassified to surplus or deficit on realisation			
Net unrealised (losses)/gains on revaluation of available-for-sale investments		(3 585 140)	4 858 465
Net realised gains on available-for-sale investments recognised as other income		(408 659)	(1 686 019)
Total comprehensive loss for the year		(3 540 268)	(5 207 470)

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2015

	R	R	R	R
	General reserve	Revaluation reserve	HIV reserve	Members' funds
Balance at 1 January 2014	171 908 431	5 020 040	18 991 817	195 920 288
Deficit for the year	(8 379 915)	-	-	(8 379 915)
Unrealised gains on revaluation of available-for-sale investments*	-	4 858 465	-	4 858 465
Net realised gains on available- for-sale investments recognised as other income*	-	(1 686 019)	-	(1 686 019)
Transfer to HIV reserve	(1 265 818)	-	1 265 818	-
Balance at 1 January 2015	162 262 697	8 192 486	20 257 635	190 712 819
Surplus for the year	453 531	-	-	453 531
Unrealised losses on revaluation of available-for-sale investments*	-	(3 585 140)	-	(3 585 140)
Net realised gains on available- for-sale investments recognised as other income*	-	(408 659)	-	(408 659)
Transfer to HIV reserve	(668 648)	-	668 648	-
Balance at 31 December 2015	162 047 581	4 198 687	20 926 283	187 172 551

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

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

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

	Note	2015	2014
		R	R
Surplus/(deficit) for the year		453 531	(8 379 915)
Adjustments for:			
- Investment income	11	(11 580 687)	(11 202 056)
- Management fees and bank charges		2 063 021	868 933
- Net realised gains on available-for-sale investments	12	(408 659)	(1 686 019)
- Net impairment (gains)/losses on trade and other receivables		10 297	80 711
CASH FLOWS FROM OPERATING ACTIVITIES		(9 462 497)	(20 318 346)
Decrease/(increase) in net trade and other receivables		1 107 960	(505 300)
Increase/(decrease) in trade and other payables		67 483	(76 130)
(Decrease)/increase in outstanding claims provision		(339 085)	2 576 645
NET CASH OUT FLOW FROM OPERATING ACTIVITIES		(8 626 138)	(18 323 132)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on cash and cash equivalents		678 251	646 739
Additions to available-for-sale investments		(53 718 701)	(64 464 529)
Disposals of available-for-sale investments		72 218 704	74 464 529
NET CASH IN FLOW FROM INVESTING ACTIVITIES		19 178 255	10 646 739
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10 552 116	(7 676 393)
Cash and cash equivalents at beginning of the year		16 874 241	24 550 634
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		27 426 357	16 874 241

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

2. EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

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

3. CONTINGENT LIABILITIES

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees, suretyships or alike at 31 December 2015.

4. CONTINGENT ASSET

At year end, claims amounting to R1,750,385 (2014: R1,849,683) had been lodged with the Road Accident Fund relating to past medical expenses already paid, with the potential recovery value of R1,456,320 (2014: R1,539,121).

5. RECLASSIFICATION OF COMPARATIVE AMOUNTS

In terms of Circular 56 of 2015 by the Council for Medical Schemes (CMS), all accredited managed healthcare services are being included as part of healthcare expenditure as they directly impact on the delivery of the cost-effective and appropriate healthcare benefits to beneficiaries of medical schemes. The total amounts for managed care are thus now included in relevant healthcare expenditure, instead of non-healthcare costs. The effect of these reclassifications on the comparative amounts are summarised below:

Summarised statement of comprehensive income

Prior year non-healthcare costs before reclassification	28 450 445
Reclassification to relevant healthcare expenditure	(5 955 626)
Prior year non-healthcare costs after reclassification	<u>22 494 819</u>
Prior year relevant healthcare expenditure before reclassification	246 103 578
Reclassification from non-healthcare costs	5 955 626
Prior year relevant healthcare expenditure after reclassification	<u>252 059 204</u>

There were no effects on the summarised statement of financial position and the summarised statement of cash flows.

6. AUDITED ANNUAL FINANCIAL STATEMENTS

The audited annual financial statements can be obtained from the Fund's registered office or postal address as indicated below:

Business address

Wooltru Healthcare Fund
Parc du Cap
Mispel Road
Bellville
7530

Postal address

Wooltru Healthcare Fund
PO Box 15403
Vlaeberg
8018

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2015 (continued)

7. OUTSTANDING CLAIMS PROVISION

	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
2015		
Outstanding claims provision	789 769	11 712 862
Provision arising from liability adequacy test	-	-
	<u>789 769</u>	<u>11 712 862</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	1 015 603	11 826 113
Payments in respect of prior year	(1 015 603)	(12 076 682)
Under provision in respect of prior year	-	(250 569)
Adjustment for current year	789 769	11 963 431
Balance at end of year	<u>789 769</u>	<u>11 712 862</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	11 712 862
Outstanding claims provision relating to risk transfer arrangements	789 769	-
Balance at end of year	<u>789 769</u>	<u>11 712 862</u>
Total outstanding claims provision at end of year		<u>12 502 631</u>
2014		
Outstanding claims provision	1 015 603	11 826 113
Provision arising from liability adequacy test	-	-
	<u>1 015 603</u>	<u>11 826 113</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	877 460	9 387 611
Payments in respect of prior year	(877 460)	(8 873 623)
Over provision in respect of prior year	-	513 988
Adjustment for current year	1 015 603	11 312 125
Balance at end of year	<u>1 015 603</u>	<u>11 826 113</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	11 826 113
Outstanding claims provision relating to risk transfer arrangements	1 015 603	-
Balance at end of year	<u>1 015 603</u>	<u>11 826 113</u>
Total outstanding claims provision at end of year		<u>12 841 716</u>

7. OUTSTANDING CLAIMS PROVISION (CONTINUED)

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

Assumptions and sensitivities

Process used to determine the assumptions

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

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

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

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

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

Assumptions

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

The percentages used as assumptions are listed in the table below. The table also outlines the sensitivity of these percentages, and the impact on the Fund's liabilities if an incorrect assumption is used.

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

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

	2015	2014
Claims outstanding for:	%	%
December	8%	9%
November	3%	4%
October	1%	1%
September	0%	0%
August and prior	0%	0%

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2015 (continued)

7. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivities (continued)

Changes in assumptions and sensitivities to changes in key variables

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

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

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

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

	Change in liability 2015 R	Change in liability 2014 R
Effect of a 1 percentage point change in all the assumed percentages	923 442	929 055
Effect of a 2 percentage point change in all the assumed percentages	1 866 826	1 877 781
Effect of a 3 percentage point change in all the assumed percentages	2 830 004	2 418 418

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

8. NET CLAIMS INCURRED

Claims incurred excluding claims incurred in respect of risk transfer arrangements

Current year claims	226 512 495	215 252 511
Movement in outstanding claims provision	11 963 431	11 312 125
- Under/(over) provision in prior years	250 569	(513 988)
- Year-end provision	11 712 862	11 826 113

Less:

- Discount received on claims	(208 004)	(415 756)
	<u>238 267 922</u>	<u>226 148 880</u>

Claims incurred in respect of risk transfer arrangements

Current year claims	19 709 363	17 309 046
Yearend provision	789 769	1 015 603
	<u>20 499 132</u>	<u>18 324 649</u>

Third-party claim recoveries

Recoveries from the Road Accident Fund	(251 507)	(2 035)
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TOTAL NET CLAIMS INCURRED	<u><u>258 515 547</u></u>	<u><u>244 471 494</u></u>
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WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2015 (continued)

9. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS

	2015	2014
	R	R
Premiums paid		
- Metropolitan Health Risk Management (Pty) Ltd	11 644 102	11 864 735
- Metropolitan Health Risk Management (Pty) Ltd risk transfer arrangement profit share	(286 635)	(1 285 249)
- (Over)/under provision on prior year risk transfer arrangement profit share	(290)	1 160
- Carecross Health (Pty) Ltd	9 920 018	8 480 304
- Netcare 911 (Pty) Ltd	1 008 808	895 783
	<u>22 286 003</u>	<u>19 956 733</u>
Recoveries received	(20 499 132)	(18 324 649)
- Metropolitan Health Risk Management (Pty) Ltd	(10 282 962)	(9 759 441)
- Carecross Health (Pty) Ltd	(9 305 298)	(7 751 639)
- Netcare 911 (Pty) Ltd	(910 872)	(813 569)
	<u>1 786 871</u>	<u>1 632 084</u>

Overview of terms and conditions of risk transfer agreements:

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

The Metropolitan Health Risk Management (Pty) Ltd risk transfer arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended options. This arrangement includes a profit sharing agreement whereby the Fund is entitled to 85% of the profit from the risk transfer arrangement in excess of 5% of the annual capitation premiums. In the case of a loss on the risk transfer arrangement, the Fund bears no portion of such loss.

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

10. AVAILABLE-FOR-SALE INVESTMENTS

Fair value at the beginning of the year	184 272 087	179 732 455
Additions	53 718 701	64 464 529
Disposals	(72 218 704)	(74 464 529)
Unrealised (loss)/gains on revaluation of available-for-sale investments	(3 585 140)	4 858 465
Investment income on available-for-sale investments	10 902 435	10 555 317
Movement in accrued income	(103 816)	(5 217)
Management fees and bank charges	(2 063 021)	(868 933)
Fair value at the end of the year	<u>170 922 542</u>	<u>184 272 087</u>
Non-current	82 473 236	78 179 154
Current	88 449 306	106 092 933
	<u>170 922 542</u>	<u>184 272 087</u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2015 (continued)

10. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

The available-for-sale investments are held in a segregated portfolio with Prescient Investment Management (Pty) Ltd (Prescient) as well as a pooled portfolio with Coronation Asset Management (Pty) Ltd (Coronation), which portfolios comprise the following assets:

	2015	2014
	R	R
Bonds	24 252 031	23 922 006
Equity	53 267 636	53 647 468
Money-market instruments	93 402 875	106 702 613
	<u>170 922 542</u>	<u>184 272 087</u>

The investments included above are administered by Prescient and Coronation. The fair values of these investments are based on market value at 31 December 2015.

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

11. INVESTMENT INCOME

Interest income on available-for-sale financial assets	8 629 182	8 855 234
Dividend income on available-for-sale financial assets	2 273 253	1 700 083
Interest income on cash and cash equivalents	678 251	646 739
	<u>11 580 687</u>	<u>11 202 056</u>

12. NET REALISED GAINS ON AVAILABLE-FOR-SALE

FINANCIAL ASSETS

Realised gains on available-for-sale financial assets	6 302 608	9 532 379
Equity and derivatives	5 010 920	8 278 469
Bonds	197 669	82 194
Money-market instruments	1 094 019	1 171 716
Realised losses on available-for-sale financial assets	(5 893 949)	(7 846 360)
Equity and derivatives	(2 227 366)	(3 665 740)
Bonds	(151 420)	-
Money-market instruments	(3 515 163)	(4 180 620)
	<u>408 659</u>	<u>1 686 019</u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2015 (continued)

13. SURPLUS/(DEFICIT) PER BENEFIT OPTION

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

2015	CORE	PLUS	EXTENDED	TOTAL
	R	R	R	R
Risk contribution income	11 238 274	230 115 956	40 249 141	281 603 371
Relevant healthcare expenditure	(9 920 017)	(212 118 745)	(44 857 445)	(266 896 207)
Net claims incurred	(9 385 045)	(203 191 033)	(45 939 469)	(258 515 547)
Managed care: management services	-	(6 073 070)	(520 719)	(6 593 789)
Net (expense)/ income on risk transfer arrangements	(534 972)	(2 854 642)	1 602 743	(1 786 871)
Gross healthcare result	1 318 257	17 997 211	(4 608 304)	14 707 164
Administrative expenses	(1 332 339)	(21 062 850)	(1 818 491)	(24 213 680)
Impairment losses on trade and other receivables	1 462	8 502	333	10 297
Net healthcare result	(12 620)	(3 057 137)	(6 426 462)	(9 496 219)
Other income	981 595	10 181 169	837 207	11 999 972
Investment income	947 298	9 825 434	807 955	11 580 687
Net realised gains on available-for-sale investments	33 428	346 720	28 511	408 659
Sundry income	869	9 016	741	10 626
Other expenditure	(167 708)	(1 739 476)	(143 039)	(2 050 222)
Investment management fees	(167 708)	(1 739 476)	(143 039)	(2 050 222)
Surplus/(deficit) for the year	801 268	5 384 556	(5 732 294)	453 531
2014 Restated	CORE	PLUS	EXTENDED	TOTAL
	R	R	R	R
Risk contribution income	9 598 047	204 342 944	40 194 042	254 135 033
Relevant healthcare expenditure	(8 480 304)	(195 132 290)	(48 446 610)	(252 059 204)
Net claims incurred	(7 801 135)	(187 158 142)	(49 512 217)	(244 471 494)
Managed care: management services	-	(5 430 501)	(525 125)	(5 955 626)
Net (expense)/ income on risk transfer arrangements	(679 169)	(2 543 647)	1 590 732	(1 632 084)

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2015 (continued)

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

2014 Restated	CORE	PLUS	EXTENDED	TOTAL
	R	R	R	R
Gross healthcare result	1 117 743	9 210 655	(8 252 568)	2 075 829
Administrative expenses	(1 015 604)	(19 498 927)	(1 899 577)	(22 414 108)
Impairment losses on trade and other receivables	(5 729)	(68 409)	(6 573)	(80 711)
Net healthcare result	96 410	(10 356 682)	(10 158 718)	(20 418 990)
Other income	909 383	10 923 819	1 056 348	12 889 550
Investment income	790 327	9 493 678	918 051	11 202 056
Net realised gains on available-for-sale investments	118 952	1 428 891	138 176	1 686 019
Sundry income	104	1 250	121	1 475
Other expenditure	(60 002)	(720 773)	(69 700)	(850 475)
Investment management fees	(60 002)	(720 773)	(69 700)	(850 475)
Surplus/(deficit) for the year	945 791	(153 636)	(9 172 070)	(8 379 915)

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.

14. RELATED PARTY TRANSACTIONS

Related party relationships

Parties with significant influence over the Fund

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

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

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

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

Prescient 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, but does not control the Fund.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2015 (continued)

14. RELATED PARTY TRANSACTIONS (CONTINUED)

Related party relationships (continued):

Parties with significant influence over the Fund (continued)

Coronation 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, but does not control the Fund.

Key management personnel and their close family members

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

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

Transactions with related parties

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

Key management personnel

	2015	2014
	R	R
<i>Compensation</i>		
Principal Officer's fees	583 080	550 080
Contribution toward Fund Manager's remuneration	332 356	304 110
Medical Advisor's fees	510 948	481 987
Trustee's and committee members' remuneration	89 900	93 580
	<u>1 516 284</u>	<u>1 429 757</u>

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

Statement of comprehensive income

Risk contributions received	537 456	655 680
Claims incurred	367 723	620 739
Catering fees Woolworths (Pty) Ltd	15 720	17 206

Statement of financial position

Catering fees due to Woolworths (Pty) Ltd	(2 444)	(14 474)
Available-for-sale investments	1 074 442	925 684

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 December 2015 (continued)

14. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transaction	Nature of transactions and terms and conditions thereof
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.

	2015	2014
	R	R
<i>Other transactions</i>		
Transactions with entities that have significant influence over the Fund		
Statement of comprehensive income		
Administration fees paid to MHC	19 775 001	17 824 997
Managed care fees and capitation premiums paid to MHRM	17 477 846	17 137 156
Claims recoveries from MHRM	(10 282 962)	(9 759 441)
Capitation agreement profit share allocation from MHRM	(286 635)	(1 285 249)
(Over)/under provision on prior year risk transfer arrangement profit share	(290)	1 160
Investment management fees paid to Prescient and Coronation	2 050 222	850 475
Actuarial fees paid to Towers Watson	1 180 584	1 113 634
Statement of Financial Position		
Actuarial fees due to Towers Watson	(196 764)	(92 803)
Provision for risk transfer agreement profit share due from MHRM	286 635	1 285 249
Share of outstanding claims provision MHRM	(189 898)	(193 222)
Available-for-sale-investments	667 752	657 158
Terms and conditions of the administration agreement		

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

Terms and conditions of the managed care agreement

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

14. RELATED PARTY TRANSACTIONS (CONTINUED)

Terms and conditions of the Prescient investment management contract

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

Terms and conditions of the Coronation investment management contract

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

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

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

15. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 131 OF 1998 (the Act)

The CMS stipulated, via circular 11 of 2006, that all cases of non-compliance with the Act should be disclosed in the annual financial statements. The following matters are accordingly disclosed:

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

Nature and impact

Wooltru Healthcare Fund has obtained approval for the registration of loss-making options from the Registrar in terms of Section 33(2) of the Act. As per the submission approved by the Registrar, the Extended Option was in a net deficit position of R5,732,294 (2014: R9,172,070) representing 2.0% (2014: 3.6%) of the aggregated risk contribution income of the Fund. In respect of the previous financial year, the Plus Option had also been in a net deficit position of R153,636.

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 14.2% (2014: 22.8%) of the Extended Option's annual risk contribution income for 2015. Under the Plus Option, the prior year deficit occurred because of unexpected high claims towards the end of the financial year. This deficit position represents 0.1% of the Plus Option's annual contributions for 2014.

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 85% of the Fund membership, would have to absorb higher contribution increases in future. It is thus in the interest of the Plus Option members to keep the Extended Option available. The Trustees are satisfied that as a whole the Fund is financially sound.

15. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 131 OF 1998 (the Act) (CONTINUED)

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

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the scheme. The rules state that contributions should be received no more than three days after they become due. During the 2015 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 2015, there were non-material contributions outstanding as a result of monthly reconciliation discrepancies for more than 30 days to the amount of R8,421 (2014: R93,877). This amount represents 0.003% (2014: 0.03%) of the total contributions received during the year, but the delay in receipt is in contravention of Section 26(7) of the Act.

Cause of failure

The contribution debtors at year end relate to membership changes after initial contributions were raised. These discrepancies were communicated to the employers and pension administrators and paid in the following month.

Corrective action

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

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

Nature and impact

In terms of the Act and specifically Section 59(2), it is a requirement that claims should be paid within 30 days of receipt thereof. Regulation 6 furthermore states that the member and service provider needs to be informed in the event that a claim is unacceptable for payment. The contravention of the Act could lead to service providers no longer providing services needed by the Fund.

Cause of failure

One claim line was paid late due to the claim being placed on hold for clinical intervention. The other claim line was paid late due to human error. The agent that processed the claim did not follow the correct procedure for the reprocessing of the claim.

Corrective action

The claims on hold report will be reviewed before every claims payment run to ensure that claims do not fall outside the 30 days statutory requirement. The member and healthcare provider will be notified from 20 days. Furthermore the claims reprocessing procedure will also be reinforced with staff.

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

Nature and impact

The Fund, through Coronation & Prescient, holds investments in participating employers as well as holding companies of medical scheme administrators as at 31 December 2015. 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 in any participating employer.

Cause of failure

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

Corrective action

The Fund received an exemption in November 2013 from the CMS from complying with Section 35(8)(a) and (c), in so far as it relates to investments placed with asset managers who invest on behalf of the Fund and where such investment choices are not influenced by the Fund. The exemption was granted up until 31 December 2014 and was subsequently extended until 31 December 2015.

**WOOLTRU HEALTHCARE FUND
REMUNERATION POLICY**

1. INTRODUCTION

This document contains the current Wooltru Healthcare Fund (the Fund) remuneration policy in respect of independent Trustees/Committee members, as agreed to by the Board of Trustees on 25 February 2015.

2. REMUNERATION ELIGIBILITY

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

3. REMUNERATION POLICY

The basic principle of all remuneration paid by the Fund is that remuneration should be fair and reasonable, commensurate with the qualifications and experience of the incumbent, the responsibilities carried, the level of care, skill and expertise required and the degree of attentiveness needed, while not being excessive or 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 the Trustee/Committee member attends.

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 upon 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 document.

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 Board of Trustees:

Chairperson of the Board of Trustees

Vice-Chairperson of the Board of Trustees

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

ANNEXURE 1

2016 CALENDAR YEAR: REMUNERATION STRUCTURE FOR INDEPENDENT TRUSTEES/COMMITTEE MEMBERS

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

Category	Per meeting fee*	Annual fee*
Continuation member Trustee	R8,170 x five meetings	R40,850
Independent Chairperson – Audit Committee	R9,800 x four meetings	R39,200
Independent member – Audit Committee	R8,170 x three meetings	R24,510
*Note: VAT not applicable		

