



**NOTICE IS HEREBY GIVEN THAT THE FORTY-SECOND ANNUAL GENERAL MEETING OF WOOLTRU HEALTHCARE FUND WILL BE HELD IN THE AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON 11 JUNE 2008 AT 14H00.**

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#### **AGENDA**

1. Chairperson's welcome to members
2. To read the Notice convening the Annual General Meeting
3. To adopt the Minutes of the Annual General Meeting held on 12 June 2007
4. To adopt the Annual Report of the Board for the year ended 31 December 2007
5. To adopt the Financial Statements for the year ended 31 December 2007
6. To adopt the Report of the Auditors for the year ended 31 December 2007
7. To appoint the Auditors for the ensuing year
8. General

By order of the Board

**KEITH TITLEY**  
PRINCIPAL OFFICER

**MINUTES OF THE FORTY-FIRST ANNUAL GENERAL MEETING OF MEMBERS OF WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN, ON TUESDAY, 12 JUNE 2007 AT 14H00**

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- **Present:** 28 members represented in person and 29 proxies
- **Chairperson:** Ms Z Rylands
- **Principal Officer:** Mr K Titley
- **Apologies:** Dr R van der Valk (Qualsa)

**1. CHAIRPERSON'S WELCOME**

The Chairperson opened the meeting and welcomed those present.

A special word of welcome was directed to Sandile Mtolo (Wooltru Healthcare Fund Scheme Executive), Amiena van Schalkwyk (Wooltru Healthcare Fund Scheme Manager), Alison Brandes (Qualsa Manager), Newton Coghlan (Wooltru Healthcare Fund Management Accountant), Kashiefa Martin (Wooltru Healthcare Fund Committee Secretary) and representatives of Metropolitan Health Group, the Fund's Administrator.

There being a quorum present, the Chairperson confirmed that the meeting was duly constituted.

**2. NOTICE OF THE MEETING**

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

**3. CONFIRMATION OF MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 8 JUNE 2006**

Ms Malander proposed that the minutes of the 2006 Annual General Meeting be approved and adopted.

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

The minutes of the fortieth Annual General Meeting held on 8 June 2006 were signed as a true record of the proceedings.

**4. REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2006**

The Annual Report of the Board of Trustees for the year ended 31 December 2006, having been circulated, was presented to the meeting.

**5. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

The Annual Financial Statements for the year ended 31 December 2006, having been circulated, were presented to the meeting.

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

Mr Durham raised a question regarding the Fund's risk transfer arrangement with Qualsa and the increase in managed care expenses from 2005 to 2006.

The Principal Officer advised that the Fund had discontinued the Plus primary and hospital risk transfer arrangement and the Core hospital risk transfer arrangement at the end of 2005. The Fund had entered into new managed care programmes offered by Qualsa at the beginning of 2006 (i.e. Disease Risk Management and Oncology Programmes, and Qualsa Pharmaceutical Benefit Management), which had resulted in the increase in managed care expenses in 2006.

**6. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2006**

The report of the independent auditors to the members of the Fund, having been circulated, was presented to the meeting. The Chairperson then invited discussion from the floor.

Ms Fenton proposed that the Audited Financial Statements, the Report of the Trustees and the Report of the Auditors for the year ended 31 December 2006 be approved and adopted.

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

**MINUTES OF THE FORTY-FIRST ANNUAL GENERAL MEETING OF MEMBERS OF WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN, ON TUESDAY, 12 JUNE 2007 AT 14H00 (CONTINUED)**

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

Mr Witton proposed that the Fund renew the appointment of Ernst & Young as auditors to the Fund for the financial year ending 31 December 2007.

Ms Wolhuter seconded the proposal, which was unanimously adopted.

**8. APPOINTMENT OF TRUSTEES**

The appointment of the following two employee-elected Trustees in terms of the Fund's rules as at 30 June 2006, were presented for ratification:

- Ms H Drabbe; and
- Mr B Tate.

Both Ms Drabbe and Mr Tate were re-elected for a further three-year term by Truworths members following the election process undertaken in June 2006.

Ms Malander proposed the ratification of the above employee-elected Trustees.

Mr Bazlinton seconded the proposal, which was unanimously adopted.

**9. GENERAL**

No general items were raised for discussion.

**10. CLOSURE OF MEETING**

There being no further questions from the floor and no further business to discuss, the Chairperson thanked the members for their attendance and the Trustees and Administrator for their efforts over the past year. The Chairperson then declared the meeting closed.

Approved and signed this \_\_\_\_\_ day of \_\_\_\_\_

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CHAIRPERSON

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PRINCIPAL OFFICER

**WOOLTRU HEALTHCARE FUND  
SUMMARISED ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2007**

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**REPORT OF THE INDEPENDENT AUDITORS  
to the members of the Wooltru Healthcare Fund**

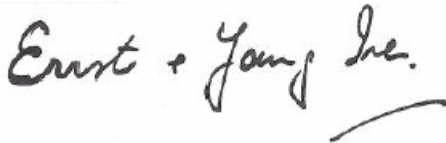
We have audited the financial statements of the Wooltru Healthcare Fund for the year ended 31 December 2007, from which the summarised financial statements were derived, in accordance with International Standards on Auditing.

In our report dated 18 April 2008 we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which the summarised financial statements were derived.

For a better understanding of the Fund's financial position and the results of its operations for the year ended 31 December 2007 and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report on those financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Ernst & Young Inc.**  
Registered Auditor

Cape Town  
18 April 2008

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ending 31 December 2007**

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**CHAIRMAN'S REVIEW**

As Chairperson of the Board of Trustees of the Fund, I have pleasure in presenting the Board's report for the year ended 31 December 2007.

The Fund experienced a net healthcare deficit (operating deficit) of R7.98 million (representing approximately 5.7% of net contributions), but as a result of favourable returns on investments, achieved an overall positive result for the year with a net surplus of R10.11 million. The Fund's solvency ratio decreased from 103% to 100% over the year under review.

Contributions were increased by between 7% and 8.5% with effect from 1 January 2008. In addition, the following benefit changes were implemented for the 2008 benefit year:

- No changes were made to the Core Option benefit structure for 2008.
- The only change to the Plus Option for 2008 was the introduction of a dental subsidy of R100 for one dental visit per beneficiary per annum. This was introduced to encourage members to have an annual dental check-up as a preventative health measure. The Plus GP Network has been extended for 2008 and currently more than 80% of Plus members have registered for network benefits.
- No changes were made to the Extended Option benefit structure for 2008.

A review of the Fund's reserving policy was undertaken by Fifth Quadrant Actuaries and Consultants in 2007 and the following policy was adopted by the Trustees in August 2007:

- to maintain the general reserve at 40% of annual contributions (the statutory minimum is 25%);
- to reduce the level of the HIV/AIDS reserve in line with the 2007 HIV actuarial risk assessment undertaken on behalf of the Fund by Fifth Quadrant;
- to establish a Risk Equalisation Fund (REF) reserve in line with the 2007 REF actuarial risk assessment undertaken on behalf of the Fund by Fifth Quadrant;
- to utilise annual investment growth in excess of CPI + 2% to subsidise the operations of the Fund and thereby effectively subsidise member contributions; and
- to regard the balance of the general reserve as a surplus asset reserve to be utilised over a period of 10 years for the benefit of members, initially through building the general practitioner and specialist networks and undertaking risk management initiatives.

At 31 December 2007, the Fund's reserve position was as follows:

|                       | <b>R'000</b> |
|-----------------------|--------------|
| General reserve       | 32.61        |
| HIV reserve           | 9.66         |
| REF reserve           | 41.59        |
| Revaluation reserve   | 3.13         |
| Surplus Asset reserve | 155.87       |
| Total members' funds  | 142.85       |

Members can take comfort from the fact that the Fund is financially sound and that, through ongoing effective management as well as the support of all stakeholders, the Fund is well positioned to meet all challenges.

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

**1. GOVERNANCE**

**1.1 Board of Trustees in office since the Annual General Meeting in 2007:**

**Employer appointed**

Z Rylands (Chairperson)  
C Durham (Appointed March 2007)  
S Malander  
S Pillay (Appointed March 2007)  
N Wulfsohn (Appointed March 2007)

**Member elected**

P Bazlinton  
H Drabbe  
M Sacks  
B Tate  
B van Greunen

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ending 31 December 2007 (continued)**

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**1.1 Board of Trustees in office since the Annual General Meeting in 2007 (continued)**

**Employer appointed**

S Abrahams (Resigned February 2007)  
J Holtzhausen (Resigned February 2007)  
R Inskip (Resigned February 2007)

**1.2 Principal Officer:** K. Titley (Independent)

**1.3 Registered office address:**

**Business address:**

Town Square  
61 St George's Mall  
Cape Town  
8001

**Postal address:**

PO Box 15403  
Vlaeberg  
8018

**1.4 Scheme Administrator:**

**Business address**

Metropolitan Health Corporate (Pty) Ltd  
61 St George's Mall  
Cape Town  
8001

**Postal address**

PO Box 4313  
Cape Town  
8000

**2. DESCRIPTION OF SCHEME**

**2.1 Terms of registration**

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

**2.2 Fund benefit options**

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

The Core Option is a capitated network option providing day-to-day cover through a network of doctors, dentists and optometrists.

The Plus Option provides members with an annual medical allowance from which to fund day-to-day benefits. The members are responsible for managing their own day-to-day expenses to ensure that they can manage within the annual amounts allocated. Plus members are encouraged to utilise a network of general practitioners and specialists in order to enjoy subsidies and avoid co-payments.

The Extended Option provides members with an annual medical allowance from which to fund day-to-day benefits. The Extended Option makes provision for a materially higher allowance than the Plus Option, but is that much more expensive.

The balance of the benefits are the same across all three options and cover hospitalisation costs, certain out-of-hospital procedures, chronic medication benefits, HIV/AIDS benefits and preventative tests.

**3. INVESTMENT POLICY OF THE FUND**

The Board of Trustees has continued to invest funds in line with the requirements of the Medical Schemes Act 131 of 1998. The Fund's reserves have been invested with Prescient Investment Management since May 2002 and have achieved an annualised return of 16.57% per annum from that date to end 2007. Prescient's investment mandate is to generate real returns over time, while at the same time protecting the portfolio from downside risk (i.e. capital protection) so that 95% of the capital is protected over any calendar year.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ending 31 December 2007 (continued)**

**3. INVESTMENT POLICY OF THE FUND (CONTINUED)**

The Trustees monitor the returns from Prescient against a basket of investment managers who manage assets for other medical schemes. The median manager in this comparison achieved a return of only 14.15% per annum over the same period. This is especially impressive as all money market mandates were excluded from the comparison and many of the mandates that were included provided no capital guarantee.

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

**4.1 Operational activities**

|  | <b>2007</b> | <b>2006</b> |
|--|-------------|-------------|
| Number of members at year end                                | 8 805       | 8 335       |
| Average number of members for the year                       | 8 604       | 8 077       |
| Average contribution per member per month                    | 1 353       | 1 293       |
| Average claims incurred per member per month                 | 1 249       | 1 126       |
| Beneficiaries per member at 31 December                      | 2.10        | 2.13        |
| Average age of beneficiaries                                 | 29          | 29          |
| Pensioner profile  | 12.8%       | 13.2%       |
| Administration costs per member per month                    | 144         | 138         |
| Claims as a percentage of net contributions                  | 92.3%       | 87.1%       |
| Administration expenses as a percentage of net contributions | 10.6%       | 10.7%       |
| Accumulated funds ratio (solvency margin) at year-end        | 100.4%      | 103.5%      |

**4.2 Financial results**

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

**4.3 Net healthcare result per option**

The net healthcare result (operating result) per option for 2007 was as follows:

|                    | <b>R'000</b> |
|--------------------|--------------|
| Core               | (454)        |
| Plus               | (2 763)      |
| Extended           | (4 761)      |
| Total Fund deficit | (7 978)      |

The Medical Schemes Amendment Bill, if approved, will remove the current requirement that each benefit option must be self-funding, and require instead that each option will not jeopardise the financial soundness of the medical scheme or any existing benefit options within the medical scheme.

The Trustees can confirm that although the Fund has incurred an operational deficit for 2007, this is in line with the stated reserving strategy and the deficit is more than offset by the investment income (R18.73 million) which has continued to enhance the Fund's healthy reserve position.

**4.4 Reserves**

See above.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ending 31 December 2007 (continued)**

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**4.5 Outstanding claims**

Movements in the outstanding claims provision are set out in the balance sheet. There have been no unusual movements that the Trustees believe should be brought to members' attention.

**5. COMMUNICATION TO MEMBERS**

The Fund publishes a quarterly newsletter to members, which keeps members up to date with developments in the Fund and the healthcare industry as a whole. A membership communication pack was sent to members at the end of 2007, detailing the benefits and contributions for 2008.

In addition, members are encouraged to regularly visit the Fund's website ([www.mhg.co.za](http://www.mhg.co.za)), hosted by the Administrator, for information relating to the rules of the Fund and other pertinent information.

**6. HIV/AIDS PROGRAMME**

During 2007, there was again an increase in the number of members/dependants joining the Fund's HIV Risk Management programme offered by Qualsa. The programme aims to help members live longer, healthier and productive lives. Benefits of this programme include education and personal support from Qualsa case managers, regular consultations, tests to monitor health and anti-retroviral therapy. The programme is a totally confidential programme run independently by Qualsa.

**7. INTEREST IN THE ADMINISTRATOR**

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

**8. AUDIT COMMITTEE**

The Audit Committee was established in accordance with the provisions of the Medical Schemes Act of 1998. The Audit Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. This committee meets on a regular basis and assists the Board of Trustees in carrying out its duties relating to the Fund's accounting policies, internal control systems, financial reporting practices and other auditing purposes.

The Audit Committee responsible for reviewing the 2007 audit and Annual Financial Statements was:

- E Rood: Chairperson (Independent)
- D Crisp (Independent)
- K Laker (Non-trustee)
- C Durham (Trustee)
- P Wannenburg (Non-trustee)
- N Wulfsohn (Trustee)

**9. CONTRIBUTION INCREASES AND BENEFIT REVIEW**

Fifth Quadrant Actuaries and Consultants assists the Board of Trustees with the Fund's financial planning, investment strategy, reserving requirements and the annual benefit and pricing review. The Board of Trustees makes decisions after consulting with the actuaries. The actuaries attend all the quarterly Board of Trustee meetings.

**10. INDUSTRY DEVELOPMENTS**

In November 2006, the Council for Medical Schemes issued draft amendments to the Medical Schemes Act for public comment. This legislation allows for the introduction of a Risk Equalisation Fund (REF), and will allow the Minister of Health to make certain exemptions, required to cater for the introduction of Low Income Medical Schemes (LIMS). Once public comment has been received and acted upon, the final Bill will need to go to Parliament for approval. Both of these aspects are significant to our Fund. Firstly, the REF, if implemented in its proposed form, will see a regular outflow of funds to the REF as, based on our age and health profile, our Fund will be a net contributor to REF. Secondly, the LIMS legislation could result in material changes to the Fund's membership profile if it results in the creation of separate medical schemes for lower income members.

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

**for the year ending 31 December 2007 (continued)**

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**10. INDUSTRY DEVELOPMENTS (CONTINUED)**

To date, there have been no further developments in this regard. However, the Trustees are continuing to monitor the situation and will initiate appropriate action as and when required.

**11. VOTE OF APPRECIATION**

I would like to express my thanks to the following parties who ensure that our Fund remains within the top tier of South African medical schemes:

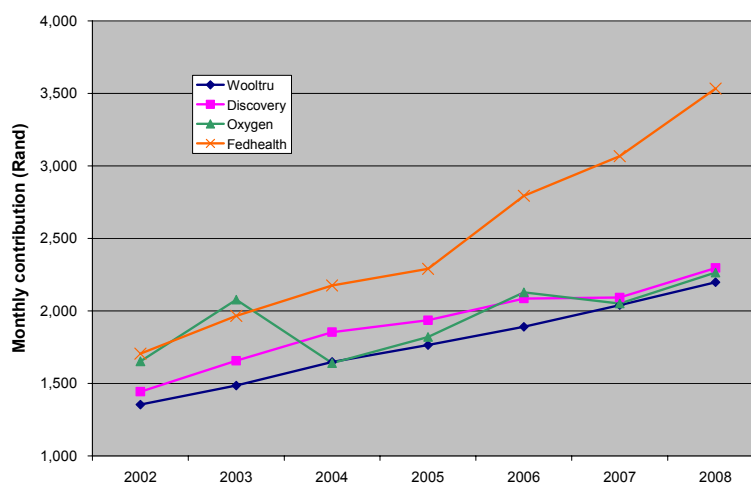
- the operating companies for their active support as sponsors of the Fund;
- our members for their co-operation within a difficult environment, and for the responsible manner in which they manage their healthcare expenditure;
- my colleagues on the Board of Trustees for their ongoing management of the Fund's financial health and strategic direction, and the Principal Officer who directs the overall management of all the Fund's affairs;
- our Fund Manager, Jenny Wolhuter, who continues to act as the interface between members, employers and the Fund, and who drives all our communication efforts;
- the management and staff at Metropolitan Health Group for the efficient manner in which they have managed the day-to-day affairs of the Fund;
- the medical advisor, Dr Tony Davidson, for his dedication and commitment;
- the management, staff and medical professionals at Qualsa and CareCross/OneCare for their ongoing support and advice in terms of the medical management of our Fund's benefit and network structures;
- our healthcare actuaries, Gary Scott and Joanna Combrink of Fifth Quadrant Consultants and Actuaries, for their invaluable contribution;
- Prescient Investment Managers who, through Guy Toms, continue to provide above average returns on our investment portfolio;
- the Fund's Audit Committee chaired by Evert Rood, and the external auditors, Ernst & Young, for the competent manner in which they managed the audit of our Fund;
- the Registrar of Medical Schemes and his staff for their assistance, advice and direction during the year;
- all service providers involved in caring for our members and their dependants.

**12. CONCLUSION**

Through the co-operation of our members, the participating employers and all other role-players, the Wooltru Healthcare Fund remains strong and financially sound. As a result of this strength and financial soundness, the Trustees are confident that the Fund will continue to provide comprehensive benefits to our members at an affordable premium despite the challenges of the ever-changing medical schemes legislative environment.

From time to time the Wooltru Healthcare Fund is compared to other medical schemes. The Trustees undertook an exercise last year to compare the Fund with the equivalent benefit options (similar range of benefits) offered by three leading commercial medical schemes (Discovery, Oxygen and Fedhealth).

**Monthly contribution for family of four**



**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ending 31 December 2007 (continued)**

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**12. CONCLUSION (CONTINUED)**

From this exercise, the monthly cost of the Fund (Plus Option) is compared against that charged by the three commercial medical schemes in the graph below. The comparison is for a family of four and shows the cost over six years to 2007.

The Fund has offered the most affordable contributions in each of the past six years. In addition, a comparison of the benefits shows that the Fund offers by far the more attractive package of benefits.

We look forward to yet another successful year for the Fund in which our members enjoy good health.

**Zyda Rylands**  
Chairperson

April 2008

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2007**

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The Board of Trustees hereby presents its report for the year ended 31 December 2007.

**Registration number: 325**

**1. MANAGEMENT**

**1.1 Board of Trustees**

The names of the Trustees in office and details of appointments and resignations during the year are as follows:

*Appointed* *Resigned*

**Employer Trustees**

|                            |          |
|----------------------------|----------|
| Mr R Inskip                | 28/02/07 |
| Mr S Abrahams              | 28/02/07 |
| Mr J Holtzhausen           | 28/02/07 |
| Ms Z Rylands (Chairperson) |          |
| Ms S Malander              |          |
| Ms N Wulfohn               | 01/03/07 |
| Mr C Durham                | 01/03/07 |
| Mr S Pillay                | 01/03/07 |

**Member Trustees**

Ms H Drabbe  
Mr P Bazlinton (Retiree representative)  
Mr B Tate  
Mr B van Greunen  
Ms M Sacks

**1.2 Principal Officer**

**Mr K Titley**

|                                     |                                    |
|-------------------------------------|------------------------------------|
| <i>Physical address</i>             | <i>Postal address</i>              |
| 15 Croft Road<br>Constantia<br>7806 | PO Box 50345<br>Waterfront<br>8002 |

**1.3 Registered office address**

**Wooltru Healthcare Fund**

|   |                                  |
|---|----------------------------------|
| <i>Business address</i>                                 | <i>Postal address</i>            |
| Town Square<br>61 St George's Mall<br>Cape Town<br>8001 | PO Box 15403<br>Vlaeberg<br>8018 |

**Country of registration and domicile** South Africa

**1.4 Scheme Administrator**

**Metropolitan Health Corporate (Pty) Ltd**

|   |                                  |
|---|----------------------------------|
| <i>Business address</i>                                 | <i>Postal address</i>            |
| Town Square<br>61 St George's Mall<br>Cape Town<br>8001 | PO Box 4313<br>Cape Town<br>8000 |

**Accreditation number: 17**

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2007 (continued)**

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**1.5 Investment managers**

**Prescient Investment Managers (Pty) Ltd**

| <i>Business address</i>   | <i>Postal address</i>         |
|---|-------------------------------|
| Prescient House<br>The Terraces<br>Steenberg Boulevard<br>Steenberg Office Park<br>7966 | PO Box 31142<br>Tokai<br>7966 |

**Financial service provider number: 2545**

**1.6 Participating employers**

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

**1.7 Auditors**

**Ernst & Young Inc.**

| <i>Business address</i>  | <i>Postal address</i>           |
|--|---------------------------------|
| Ernst & Young House<br>35 Lower Long Street<br>Cape Town<br>8000 | PO Box 656<br>Cape Town<br>8000 |

**1.8 Actuaries**

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

| <i>Business address</i>  | <i>Postal address</i>                 |
|--|---------------------------------------|
| Great Westerford Building<br>2nd Floor, Suite 2, South Wing<br>240 Main Road<br>Rondebosch<br>7700 | Private Bag X30<br>Rondebosch<br>7701 |

**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. Membership of the Fund is restricted to current and retired employees of any employer currently or previously a participating employer within the Wooltru group. Membership of the Fund is subject to the terms and conditions of employment of the participating employers.

**2.2 Options within the Wooltru Healthcare Fund**

The Fund offers three benefit options to members:

- Core;
- Plus; and
- Extended.

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2007 (continued)**

**2.3 Risk transfer arrangements**

During 2007 the Fund entered into risk transfer arrangements with Qualsa Healthcare (Pty) Ltd, OneCare Health (Pty) Ltd and Netcare 911 (Pty) Ltd.

The Qualsa arrangement provides chronic medication benefits for all beneficiaries of the Fund.

The OneCare arrangement provides out-of-hospital primary healthcare benefits for beneficiaries registered on the Core Option.

The Netcare 911 arrangement covers emergency evacuations from accident scenes for all beneficiaries of the Fund.

**2.4 Changes in operating environment**

There have been no significant changes in the Fund's operating environment during 2007.

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

**3.1 Operational activities**

| <b>2007</b>  | <b>Core</b> | <b>Plus</b> | <b>Extended</b> | <b>Total</b> |
|--|-------------|-------------|-----------------|--------------|
| Number of members at year end  | 787         | 6,900       | 1,118           | 8,805        |
| Number of beneficiaries at year end  | 1,451       | 14,575      | 2,479           | 18,505       |
| Average number of members for the year                                     | 726         | 6,734       | 1,144           | 8,604        |
| Average number of beneficiaries for the year                               | 1,368       | 14,321      | 2,528           | 18,217       |
| Number of new members  | 146         | 1,351       | 229             | 1,726        |
| Number of members leaving  | 163         | 674         | 419             | 1,256        |
| Dependants to member ratio at year end                                     | 0.84        | 1.11        | 1.22            | 1.10         |
| Average age of beneficiaries for the year                                  | 28          | 28          | 37              | 29           |
| Average net contributions per member per month (R)                         | 797         | 1,254       | 2,287           | 1,353        |
| Average net contributions per beneficiary per month (R)                    | 423         | 590         | 1,035           | 639          |
| Relevant healthcare expenditure as a percentage of gross contributions (%) | 84.84       | 88.20       | 107.31          | 92.33        |
| Average relevant healthcare expenditure per member per month (R)           | 676         | 1,106       | 2,455           | 1,249        |
| Average relevant healthcare expenditure per beneficiary per month (R)      | 359         | 520         | 1,111           | 590          |
| Amounts paid to Administrator (R)  | 1,044,310   | 9,759,240   | 1,678,062       | 12,481,612   |
| Average administration cost per member per month (R)                       | 144         | 144         | 144             | 144          |
| Average administration cost per beneficiary per month (R)                  | 68          | 68          | 68              | 68           |
| Administration cost as a percentage of net contributions (%)               | 17.87       | 11.45       | 6.34            | 10.62        |
| Average managed care expense per member per month (R)                      | 30          | 39          | 35              | 37           |
| Average managed care expense per beneficiary per month (R)                 | 16          | 18          | 16              | 18           |
| Non-healthcare expenditure as a percentage of contributions (%)            | 21.69       | 14.53       | 7.85            | 13.38        |
| Average accumulated funds per member at 31 December (R)                    | 15,117      | 15,117      | 15,117          | 15,117       |
| Investment income as a percentage of investments (%)                       | 11.82       | 11.82       | 11.82           | 11.82        |

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2007 (continued)**

**3.1 Operational activities (continued)**

| <b>2006</b>  | <b>Core</b> | <b>Plus</b> | <b>Extended</b> | <b>Total</b> |
|--|-------------|-------------|-----------------|--------------|
| Number of members at year end  | 804         | 6,223       | 1,308           | 8,335        |
| Number of beneficiaries at year end  | 1,535       | 13,347      | 2,835           | 17,717       |
| Average number of members for the year                                     | 714         | 6,038       | 1,325           | 8,077        |
| Average number of beneficiaries for the year                               | 1,398       | 13,061      | 2,839           | 17,298       |
| Number of new members  | 253         | 1,141       | 92              | 1,486        |
| Number of members leaving  | 124         | 1,185       | 163             | 1,472        |
| Dependants to member ratio at year end                                     | 0.91        | 1.14        | 1.17            | 1.13         |
| Average age of beneficiaries for the year                                  | 27          | 28          | 37              | 29           |
| Average net contributions per member per month (R)                         | 791         | 1,176       | 2,095           | 1,293        |
| Average net contributions per beneficiary per month (R)                    | 368         | 532         | 979             | 589          |
| Relevant healthcare expenditure as a percentage of gross contributions (%) | 69.64       | 83.66       | 99.43           | 87.09        |
| Average relevant healthcare expenditure per member per month (R)           | 551         | 984         | 2,083           | 1,126        |
| Average relevant healthcare expenditure per beneficiary per month (R)      | 256         | 445         | 973             | 513          |
| Amounts paid to Administrator (R)  | 981,526     | 8,333,725   | 1,883,941       | 11,199,192   |
| Average administration cost per member per month (R)                       | 138         | 138         | 138             | 138          |
| Average administration cost per beneficiary per month (R)                  | 64          | 64          | 64              | 64           |
| Administration cost as a percentage of net contributions (%)               | 17.30       | 11.66       | 6.72            | 10.66        |
| Average managed care expense per member per month (R)                      | 31          | 35          | 36              | 35           |
| Average managed care expense per beneficiary per month (R)                 | 15.68       | 16.11       | 16.76           | 16.19        |
| Non-healthcare expenditure as a percentage of contributions (%)            | 21.20       | 14.65       | 8.45            | 13.35        |
| Average accumulated funds per member at 31 December (R)                    | 15,551      | 15,551      | 15,551          | 15,551       |
| Investment income as a percentage of investments (%)                       | 15.44       | 15.44       | 15.44           | 15.44        |

**3.2 Financial results**

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

**3.3 Accumulated funds ratio**

The accumulated funds ratio is calculated on the following basis:

|   | <b>2007</b>        | <b>2006</b>        |
|---|--------------------|--------------------|
|   | <b>R</b>           | <b>R</b>           |
| General reserve   | 130,064,176        | 72,392,806         |
| HIV reserve   | 9,663,773          | 57,222,633         |
| Revaluation reserve                                       | 3,125,138          | 1,889,958          |
| Total members' funds as per balance sheet                 | 142,853,087        | 131,505,397        |
| Less: Revaluation reserve                                 | (3,125,138)        | (1,889,958)        |
| Accumulated funds   | <u>139,727,949</u> | <u>129,615,439</u> |
| Contribution income per income statement                  | 139,675,938        | 125,280,934        |
| Accumulated funds ratios                                  |                    |                    |
| Accumulated funds ratios/gross contributions income x 100 | <u>100.04%</u>     | <u>103.46%</u>     |

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2007 (continued)**

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**3.3 Accumulated funds ratio (continued)**

The accumulated funds ratios for both 2007 and 2006 reflected above were calculated using accumulated funds (including the HIV reserve) as required by the Council for Medical Schemes.

**3.4 Reserve accounts**

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

The HIV reserve records funds set aside for the claims related to HIV/AIDS treatment.

The HIV reserve was actuarially reassessed in July 2007. The costs incurred, associated with HIV/AIDS, have been substantially less than previously anticipated and the HIV reserve was therefore accordingly reduced.

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 when they are unrealised. Once an available-for-sale investment is sold, the realised portion of the fair value gain or loss is included in the income statement.

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

**3.5 Outstanding claims**

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

Movements on the outstanding claims provision are set out in note 7 to the Annual Financial Statements.

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

**4. INVESTMENT POLICY OF THE FUND**

The Trustees invest funds in line with the requirements of the Medical Schemes Act of 1998. Prescient Investment Management has managed the Fund's investments since 23 May 2002.

The investment mandate of the Fund is to generate real returns over time, while at the same time substantially protecting the portfolio from downside risk (i.e. capital protection). During April 2006 the Trustees resolved that a maximum of 15% of the assets of the capital protected portfolio be invested in international interest bearing assets, and that a collective investment scheme may be utilised by the portfolio manager to attain international exposure. The function of managing the working capital of the Fund was also extended to the investment manager in May 2006, to be managed in line with Annexure B of Regulation 29 of the Medical Schemes Act of 1998.

**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 an actuary specialising in healthcare to ensure that the Fund remains in a financially sound position.

**6. SUBSEQUENT EVENTS**

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

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2007 (continued)**

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

The Council for Medical Schemes stipulated, via circular 11 of 2007, that all cases of non-compliance with the Act should be disclosed in the Annual Financial Statements. The following stipulation was not complied with during the year:

*Non-compliance with S33(2) - option not financially sound*

As at 31 December 2007, the Extended Option was in a net deficit position. The deficit amounted to R2,356,035 (2006: surplus of R652,044) representing 1.6% of the consolidated contributions of the Fund.

Although the option shows a net healthcare deficit from operations for 2007, the deficit is more than offset by the investment growth leading to a healthy surplus for the Fund for both years. The financial soundness of the Fund is not in doubt.

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

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

**9. AUDIT COMMITTEE**

An Audit Committee was established on 12 February 2002, in accordance with the provisions of the Act.

The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee must consist of a minimum of five members of whom two are members of the Board of Trustees. 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:

- 4 April 2007;
- 28 August 2007; and
- 26 November 2007.

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

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

At 31 December 2007, the Audit Committee comprised:

- |                   |                         |
|-------------------|-------------------------|
| - Mr E Rood       | Chairperson/Independent |
| - Ms N Wulfsohn   | Trustee                 |
| - Mr C Durham     | Trustee                 |
| - Mr D Crisp      | Independent             |
| - Mr K Laker      | Non-trustee             |
| - Mr P Wannenburg | Non-trustee             |

**10. INVESTMENT COMMITTEE**

An Investment Committee was established during 2005. The Chairperson of the Committee is the actuary to the Fund. The Investment Committee meets quarterly and the responsibility of the Committee is to advise the Board of Trustees on investment matters. The Investment Committee must comprise at least four members of whom at least one member must be independent. The Investment Committee met on four occasions during 2007 as follows:

- 24 January 2007;
- 17 April 2007;
- 18 July 2007; and
- 24 October 2007.



**13. MANAGEMENT OF INSURANCE RISK**

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

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management as well as the monitoring of emerging issues. Certain risks are mitigated by entering into risk transfer arrangements.

**WOOLTRU HEALTHCARE FUND  
SUMMARISED BALANCE SHEET  
as at 31 December 2007**

|                                       | <b>2007</b>        | <b>2006</b>        |
|---------------------------------------|--------------------|--------------------|
|                                       | <b>R</b>           | <b>R</b>           |
| <b>ASSETS</b>                         |                    |                    |
| <b>Non-current assets</b>             |                    |                    |
| Available-for-sale investments        | 108,938,511        | 94,993,816         |
| <b>Current assets</b>                 |                    |                    |
| Trade and other receivables           | 1,854,327          | 3,005,855          |
| Available-for-sale investments        | 28,337,460         | 29,057,546         |
| Cash and cash equivalents             | 15,138,546         | 14,067,342         |
| <b>Total assets</b>                   | <b>154,268,844</b> | <b>141,124,559</b> |
| <b>FUNDS AND LIABILITIES</b>          |                    |                    |
| <b>Members' funds</b> (Refer page 13) |                    |                    |
| Accumulated funds                     | 130,064,176        | 72,392,806         |
| HIV reserve                           | 9,663,773          | 57,222,633         |
| Revaluation reserve                   | 3,125,138          | 1,889,958          |
| <b>Current liabilities</b>            |                    |                    |
| Savings plan liability                | -                  | -                  |
| Trade and other payables              | 5,515,038          | 3,766,522          |
| Outstanding claims provision          | 5,900,719          | 5,852,640          |
| <b>Total funds and liabilities</b>    | <b>154,268,844</b> | <b>141,124,559</b> |

**WOOLTRU HEALTHCARE FUND  
SUMMARISED INCOME STATEMENT  
for the year ended 31 December 2007**

|   | <b>2007</b>       | <b>2006</b>       |
|---|-------------------|-------------------|
|   | <b>R</b>          | <b>R</b>          |
| <b>Contribution income</b>                                | 139,675,938       | 125,280,934       |
| <b>Relevant healthcare expenditure</b>                    | (128,962,681)     | (110,589,945)     |
| Net claims incurred                                       | (126,655,560)     | (109,109,951)     |
| – Claims incurred   | (126,775,250)     | (109,175,249)     |
| – Third party claim recoveries                            | 119,690           | 65,298            |
| Net expense on risk transfer arrangements                 | (2,307,121)       | (1,479,994)       |
| – Premiums paid on risk transfer arrangements             | (11,395,990)      | (9,939,259)       |
| – Recoveries received on risk transfer arrangements       | 9,088,869         | 8,459,265         |
| <b>Gross healthcare result</b>                            | 10,713,257        | 14,690,989        |
| Managed care: Management services                         | (3,852,435)       | (3,359,667)       |
| Administration and other expenses                         | (14,832,067)      | (13,350,151)      |
| Net impairment losses on trade and other receivables      | (6,568)           | (18,938)          |
| <b>Net healthcare result</b>                              | (7,977,813)       | (2,037,767)       |
| <b>Other income</b>                                       | 18,793,536        | 22,649,290        |
| Investment income   | 11,396,820        | 8,961,545         |
| Net realised gains on available-for-sale financial assets | 7,329,022         | 13,622,755        |
| Sundry income   | 67,694            | 64,990            |
| <b>Other expenditure</b>                                  |                   |                   |
| Investment management fees                                | (703,213)         | (1,252,978)       |
| Interest paid on savings accounts                         | -                 | (67,938)          |
| <b>Surplus for the year</b>                               | <u>10,112,510</u> | <u>19,290,607</u> |

**WOOLTRU HEALTHCARE FUND**  
**SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES**  
**for the year ended 31 December 2007**

|   | <b>R</b>                 | <b>R</b>                   | <b>R</b>           | <b>R</b>                    |
|---|--------------------------|----------------------------|--------------------|-----------------------------|
|   | <b>Accumulated funds</b> | <b>Revaluation reserve</b> | <b>HIV reserve</b> | <b>Total members' funds</b> |
| Balance at 1 January 2006                                       | 62,480,770               | 354,161                    | 47,844,062         | 110,678,993                 |
| Surplus for the year  | 19,290,607               | -                          | -                  | 19,290,607                  |
| Unrealised gain on revaluation of available-for-sale investment | -                        | 15,158,552                 | -                  | 15,158,552                  |
| Realised gain on derecognition of available-for-sale investment | -                        | (13,622,755)               | -                  | (13,622,755)                |
| Transfer to HIV reserve   | (9,378,571)              | -                          | 9,378,571          | -                           |
| Balance at 1 January 2007                                       | 72,392,806               | 1,889,958                  | 57,222,633         | 131,505,397                 |
| Surplus for the year  | 10,112,510               | -                          | -                  | 10,112,510                  |
| Unrealised gain on available-for-sale investment                | -                        | 8,564,202                  | -                  | 8,564,202                   |
| Realised gain on derecognition of available-for-sale investment | -                        | (7,329,022)                | -                  | (7,329,022)                 |
| Transfer from HIV reserve                                       | 47,558,860               | -                          | (47,558,860)       | -                           |
| Balance at 31 December 2007                                     | 130,064,176              | 3,125,138                  | 9,663,773          | 142,853,087                 |

At the Board of Trustee meeting dated 26 August 2003, a decision was taken to maintain accumulated funds of not less than 40% of gross annualised contributions. The balance was transferred to the HIV reserve in terms of the Fund's long-term HIV/AIDS strategy.

The HIV reserve was actuarially reassessed in July 2007. The costs incurred, associated with HIV/AIDS, have been substantially less than previously anticipated and the HIV reserve was therefore accordingly reduced.

**WOOLTRU HEALTHCARE FUND  
SUMMARISED CASH FLOW STATEMENT  
for the year ended 31 December 2007**

|  | <b>2007</b>              | <b>2006</b>              |
|--|--------------------------|--------------------------|
|  | <b>R</b>                 | <b>R</b>                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                          |                          |
| Surplus for the year   | 10,112,510               | 19,290,607               |
| Adjustments for:   |                          |                          |
| – Investment income  | (11,396,820)             | (8,961,545)              |
| – Investment management fees                                       | 703,213                  | 1,252,978                |
| – Realised gain on derecognition of available-for-sale investments | (7,329,022)              | (13,622,755)             |
| – Impairment losses  | 6,568                    | 18,938                   |
|  | <u>(7,903,551)</u>       | <u>(2,021,777)</u>       |
| Decrease in trade and other receivables                            | 1,144,960                | 3,891,119                |
| Increase/(decrease) in trade and other payables                    | 1,748,516                | (211,801)                |
| Increase in outstanding claims provision                           | 48,079                   | 114,036                  |
| (Decrease) in savings plan liability                               | -                        | (10,605,467)             |
|  | <u>(4,961,996)</u>       | <u>(8,833,890)</u>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |                          |                          |
| Investment income  | 11,396,820               | 8,961,545                |
| Investment management fees   | (703,213)                | (1,252,978)              |
| Capitalised interest   | (10,660,407)             | (7,550,433)              |
| Additions  | (124,626,417)            | (173,884,514)            |
| Disposals  | 130,626,417              | 185,884,514              |
|  | <u>6,033,200</u>         | <u>12,158,134</u>        |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                   | <b>1,071,204</b>         | <b>3,324,244</b>         |
| Cash and cash equivalents at beginning of the year                 | 14,067,342               | 10,743,098               |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>                | <u><b>15,138,546</b></u> | <u><b>14,067,342</b></u> |

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2007**

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**1. PRINCIPAL ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Fund has adopted the following new and amended International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year.

*IFRS 7 - Financial Instruments: Disclosures*  
*IAS 1 – Amendments: Presentation of Financial Statements*

Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Fund. They did, however, give rise to additional disclosures, including in some cases, revisions to accounting policies.

**2. BASIS OF PREPARATION**

The summarised financial statements are prepared in accordance with International Financial Reporting Standards on the historical cost basis, except for available-for-sale investments which are carried at fair value.

**3. POST BALANCE SHEET EVENTS**

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

**4. CONTINGENT LIABILITIES**

There were no potential liabilities contingent on the outcome of litigations, claims, guarantees, suretyships or alike at 31 December 2007.

**5. AUDITED ANNUAL FINANCIAL STATEMENTS**

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

| <b>Business address</b>  | <b>Postal address</b>                                       |
|--|---|
| Wooltru Healthcare Fund<br>Town Square<br>61 St George's Mall<br>Cape Town<br>8001 | Wooltru Healthcare Fund<br>PO Box 15403<br>Vlaeberg<br>8018 |

**6. 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, 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, Qualsa Healthcare (Pty) Ltd (Qualsa), a wholly-owned subsidiary of MHC, has significant influence over the Wooltru Healthcare Fund as managed care provider, but does not control the Fund.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2007 (continued)**

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

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

Prescient Investment Managers (Pty) Ltd (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.

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund. Key management personnel include the Board of Trustees, the Principal Officer and members of various committees. The disclosure deals with all the Fund's officers, some of whom are compensated on a fee basis (Principal Officer, fund manager and medical advisor) and some of whom are compensated on an attendance basis (retiree representative on the Board of Trustees and independent members of committees). The balance of the Board of Trustees (including the Chairperson) receive no compensation from the Fund, as they are fulltime employees of the participating employers.

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

**Transactions with related parties**

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

Key management personnel

|   | <b>2007</b>    | <b>2006</b>    |
|---|----------------|----------------|
|   | <b>R</b>       | <b>R</b>       |
| <i>Compensation</i>                           |                |                |
| Principal Officer's fees                      | 395,592        | 366,286        |
| Fund manager's fees                           | 214,327        | 198,450        |
| Medical advisor's fees                        | 198,618        | 108,418        |
| Trustees' and committee members' remuneration | 50,830         | 35,860         |
|   | <u>859,367</u> | <u>709,014</u> |

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

**Income statement**

|                              |         |         |
|------------------------------|---------|---------|
| Gross contributions received | 310,038 | 189,335 |
| Claims incurred              | 441,963 | 369,084 |

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

| <b>Transaction</b>     | <b>Nature of transactions and terms and conditions thereof</b>  |
|------------------------|---|
| Contributions received | This constitutes the contributions paid by the related party as a member of the Fund, in its individual capacity. All contributions were at the same terms as applicable to third parties.                |
| Claims incurred        | This constitutes amounts claimed by the related parties, in their individual capacity as members of the Fund. All claims were paid out in terms of the rules of the Fund, as applicable to third parties. |

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2007 (continued)**

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

|   | <b>2007</b> | <b>2006</b> |
|---|-------------|-------------|
|   | <b>R</b>    | <b>R</b>    |
| <i>Other transactions</i>   |             |             |
| <b>Transactions with entities that have significant influence over the Fund</b> |             |             |
| <b>Income statement</b>   |             |             |
| Administration fees   | 12,481,612  | 11,199,192  |
| Managed care fees and capitation premiums                                       | 15,248,425  | 13,298,926  |
| Investment management fees  | 703,213     | 1,252,978   |
| Actuarial consulting fees   | 314,558     | 271,868     |
| <b>Balance sheet</b>  |             |             |
| Investment management fees due  | 208,770     | 209,470     |
| Actuarial consulting fees due   | 26,213      | 24,271      |
| Managed care refund due   | -           | (254,697)   |
| Medical advisor's fees due  | 8,300       | -           |
| Investment manager's interest accrued   | 1,440,495   | 1,725,703   |

**Terms and conditions of the administration agreement**

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

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

The investment management contract with Prescient is in accordance with instructions given by the Trustees of the Fund. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Fund has the right to terminate the agreement on a day's notice. Fees are calculated on an arm's length basis on market related terms.

**Terms and conditions of the actuarial agreement**

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

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2007 (continued)**

**7. NET CLAIMS INCURRED**

|   | <b>2007</b>        | <b>2006</b>        |
|---|--------------------|--------------------|
|   | <b>R</b>           | <b>R</b>           |
| <b>Claims incurred excluding claims incurred in respect of risk transfer arrangements</b> |                    |                    |
| Current year claims   | 111,980,246        | 96,383,828         |
| Adjustment for current year   | 5,731,193          | 4,953,947          |
| – Under/(over) provision in prior years   | 9,412              | (555,327)          |
| – Year end provision  | 5,721,781          | 5,509,274          |
| Less:   | (25,058)           | (621,791)          |
| – Savings plan claims paid (refer note 5)   | -                  | (327,362)          |
| – Discount received on claims   | (25,058)           | (294,429)          |
|   | <u>117,686,381</u> | <u>100,715,984</u> |
| <b>Claims incurred in respect of risk transfer arrangements</b>                           |                    |                    |
| Current year claims   | 9,160,061          | 7,892,074          |
| Adjustment for current year   | (71,192)           | 567,191            |
| – (Over)/under provision in prior years   | (250,130)          | 223,825            |
| – Year end provision  | 178,938            | 343,366            |
|   | <u>9,088,869</u>   | <u>8,459,265</u>   |
| <b>Third party claim recoveries</b>   |                    |                    |
| Recoveries from the Road Accident Fund  | (119,690)          | (65,298)           |
|   | <u>126,655,560</u> | <u>109,109,951</u> |

**8. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS**

|                               |                   |                  |
|-------------------------------|-------------------|------------------|
| Premiums paid                 |                   |                  |
| – Qualsa Healthcare (Pty) Ltd | 9,263,831         | 9,880,567        |
| – OneCare Health (Pty) Ltd    | 1,647,486         | -                |
| – Netcare 911 (Pty) Ltd       | 484,673           | 58,692           |
|                               | <u>11,395,990</u> | <u>9,939,259</u> |
| Recoveries received           | (9,088,869)       | (8,459,265)      |
| – Qualsa Healthcare (Pty) Ltd | (6,773,565)       | (8,458,572)      |
| – OneCare Health (Pty) Ltd    | (1,795,177)       | -                |
| – Netcare 911 (Pty) Ltd       | (520,127)         | (693)            |
|                               | <u>2,307,121</u>  | <u>1,479,994</u> |

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

The Fund again entered into a risk transfer arrangement with Qualsa Healthcare (Pty) Ltd during 2007. In exchange for a monthly premium, Qualsa undertook to meet the cost of providing chronic medication benefits for all beneficiaries registered on the Fund.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
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**8. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS (CONTINUED)**

The Fund entered into a risk transfer arrangement with OneCare Health (Pty) Ltd in 2007. OneCare undertook to meet the cost of out-of-hospital primary healthcare benefits for beneficiaries registered on the Core Option.

The Fund also entered into a risk transfer arrangement with Netcare 911 (Pty) Ltd. The Netcare 911 agreement covers emergency evacuations from accident scenes for all beneficiaries of the Fund.

**9. NET REALISED GAINS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS**

|  | <b>2007</b> | <b>2006</b>  |
|--|-------------|--------------|
|  | <b>R</b>    | <b>R</b>     |
| Realised gain on available-for-sale financial assets   | 13,830,781  | 25,343,500   |
| – Equity derivatives                                   | 13,829,652  | 25,343,349   |
| – Money market instruments                             | 1,129       | 151          |
| Realised losses on available-for-sale financial assets | (6,501,759) | (11,720,745) |
| – Equity derivatives                                   | (6,500,000) | (11,713,454) |
| – Money market instruments                             | (1,759)     | (7,291)      |
|  | 7,329,022   | 13,622,755   |

**10. OUTSTANDING CLAIMS PROVISION**

|   | <b>Covered by<br/>risk transfer<br/>arrangements</b> | <b>Not covered by<br/>risk transfer<br/>arrangements</b> |
|---|--|--|
| <b>2007</b>   |  |  |
| Outstanding claims provision  | 178,938  | 5,721,781  |
| Provision arising from liability adequacy test                      | -  | -  |
|   | 178,938  | 5,721,781  |
| <i>Analysis of movements in outstanding claims</i>                  |  |  |
| Balance at beginning of year  | 343,366  | 5,509,274  |
| Payments in respect of prior year                                   | (93,236)   | (5,518,488)  |
| Over/(under) provision in respect of prior year                     | 250,130  | (9,214)  |
| Adjustment for current year   | (71,192)   | 5,730,995  |
| Balance at end of year  | 178,938  | 5,721,781  |
| <i>Analysis of outstanding claims provision</i>                     |  |  |
| Estimated gross claims  | -  | 5,721,781  |
| Outstanding claims provision relating to risk transfer arrangements | 178,938  | -  |
| Balance at end of year  | 178,938  | 5,721,781  |

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2007 (continued)**

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

|   | <b>Covered by<br/>risk transfer<br/>arrangements</b> | <b>Not covered by<br/>risk transfer<br/>arrangements</b> |
|---|--|--|
| <b>2006</b>   |  |  |
| Outstanding claims provision  | 343,366  | 5,509,274  |
| Provision arising from liability adequacy test                      | -  | -  |
|   | <u>343,366</u>                                       | <u>5,509,274</u>   |
| <i>Analysis of movements in outstanding claims</i>                  |  |  |
| Balance at beginning of year  | 2,238,604  | 3,500,000  |
| Payments in respect of prior year                                   | (2,462,429)  | (2,944,673)  |
| (Under)/over provision in respect of prior year                     | (223,825)  | 555,327  |
| Adjustment for current year   | 567,191  | 4,953,947  |
| Balance at end of year  | <u>343,366</u>                                       | <u>5,509,274</u>   |
| <i>Analysis of outstanding claims provision</i>                     |  |  |
| Estimated gross claims  | -  | 5,509,274  |
| Outstanding claims provision relating to risk transfer arrangements | 343,366  | -  |
| Balance at end of year  | <u>343,366</u>                                       | <u>5,509,274</u>   |

**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 provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provision estimation difficulties also differ by category of claims due to differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

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

The method used is consistent with 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.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2007 (continued)**

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

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 members and their dependants; and
- random fluctuations, including the impact of large losses.

*Assumptions*

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

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

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

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

|                         | <b>2007</b> | <b>2006</b> |
|-------------------------|-------------|-------------|
| Claims outstanding for: | %           | %           |
| - December              | 11%         | 9%          |
| - November              | 4%          | 4%          |
| - October               | 2%          | 2%          |
| - September             | 1%          | 1%          |
| - August and prior      | 0%          | 1%          |

*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 balance sheet is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2007 (continued)**

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

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

|   | <b>Change in<br/>liability<br/>2007<br/>R</b> | <b>Change in<br/>liability<br/>2006<br/>R</b> |
|---|---|---|
| Effect of a 1 percentage point change in assumed percentage | 483,547                                       | 409,382                                       |
| Effect of a 2 percentage point change in assumed percentage | 977,420                                       | 832,275                                       |
| Effect of a 3 percentage point change in assumed percentage | 1,481,910                                     | 1,261,762                                     |

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

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

The Council for Medical Schemes stipulated, via circular 11 of 2007, that all cases of non-compliance with the Act should be disclosed in the Annual Financial Statements. The following stipulation was not complied with during the year:

*Non-compliance with S33(2) - option not financially sound*

As at 31 December 2007, the Extended Option was in a net deficit position. The deficit amounted to R2,356,035 (2006: surplus of R652,044) representing 1.6% of the consolidated contributions of the Fund.

Although the option shows a net healthcare deficit from operations for 2007, the deficit is more than offset by the investment growth leading to a healthy surplus for the Fund for both years. The financial soundness of the Fund is not in doubt.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2007 (continued)**

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

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

**2007**

|  | <b>CORE</b>      | <b>PLUS</b>       | <b>EXTENDED</b>    | <b>TOTAL</b>      |
|--|------------------|-------------------|--------------------|-------------------|
| <b>Contributions</b>                             | 6,945,716        | 101,327,556       | 31,402,666         | 139,675,938       |
| <b>Relevant healthcare expenditure</b>           | (5,892,799)      | (89,371,422)      | (33,698,460)       | (128,962,681)     |
| – Net claims incurred                            | (5,400,971)      | (85,896,510)      | (35,358,079)       | (126,655,560)     |
| – Net expense on risk transfer arrangements      | (491,828)        | (3,474,912)       | 1,659,619          | (2,307,121)       |
| <b>Gross healthcare result</b>                   | 1,052,917        | 11,956,134        | (2,295,794)        | 10,713,257        |
| Managed care:                                    |                  |                   |                    |                   |
| Management services                              | (264,711)        | (3,113,164)       | (474,560)          | (3,852,435)       |
| Administrative expenses                          | (1,241,189)      | (11,600,755)      | (1,990,123)        | (14,832,067)      |
| Impairment losses on trade and other receivables | (590)            | (5,105)           | (873)              | (6,568)           |
| <b>Net healthcare result</b>                     | (453,573)        | (2,762,890)       | (4,761,350)        | (7,977,813)       |
| <b>Other income</b>                              | 1,585,787        | 14,708,934        | 2,498,815          | 18,793,536        |
| – Investment income                              | 961,657          | 8,919,826         | 1,515,337          | 11,396,820        |
| – Net realised gains                             | 618,418          | 5,736,127         | 974,477            | 7,329,022         |
| – Sundry income                                  | 5,712            | 52,981            | 9,001              | 67,694            |
| <b>Other expenditure</b>                         |                  |                   |                    |                   |
| – Investment management fees                     | (59,337)         | (550,376)         | (93,500)           | (703,213)         |
| – Interest paid on savings accounts              | -                | -                 | -                  | -                 |
| <b>Surplus/(deficit) for the year</b>            | <b>1,072,877</b> | <b>11,395,668</b> | <b>(2,356,035)</b> | <b>10,112,510</b> |

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2007 (continued)**

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

**2006**

|  | <b>CORE</b>      | <b>PLUS</b>       | <b>EXTENDED</b> | <b>TOTAL</b>      |
|--|------------------|-------------------|-----------------|-------------------|
| <b>Contributions</b>                             | 6,776,882        | 85,200,000        | 33,304,052      | 125,280,934       |
| <b>Relevant healthcare expenditure</b>           | (4,976,456)      | (72,276,290)      | (33,337,199)    | (110,589,945)     |
| – Net claims incurred                            | (4,719,184)      | (71,275,458)      | (33,115,309)    | (109,109,951)     |
| – Net expense on risk transfer arrangements      | (257,272)        | (1,000,832)       | (221,890)       | (1,479,994)       |
| <b>Gross healthcare result</b>                   | 1,800,426        | 12,923,710        | (33,147)        | 14,690,989        |
| Managed care:                                    |                  |                   |                 |                   |
| Management services                              | (263,011)        | (2,525,598)       | (571,058)       | (3,359,667)       |
| Administrative expenses                          | (1,172,140)      | (9,938,497)       | (2,239,514)     | (13,350,151)      |
| Impairment losses on trade and other receivables | (1,790)          | (14,076)          | (3,072)         | (18,938)          |
| <b>Net healthcare result</b>                     | 363,485          | 445,539           | (2,846,791)     | (2,037,767)       |
| <b>Other income</b>                              | 2,002,178        | 16,931,586        | 3,715,526       | 22,649,290        |
| – Investment income                              | 792,193          | 6,699,246         | 1,470,106       | 8,961,545         |
| – Net realised gains                             | 1,204,240        | 10,183,756        | 2,234,759       | 13,622,755        |
| – Sundry income                                  | 5,745            | 48,584            | 10,661          | 64,990            |
| <b>Other expenditure</b>                         |                  |                   |                 |                   |
| – Investment management fees                     | (110,762)        | (936,670)         | (205,546)       | (1,252,978)       |
| – Interest paid on savings accounts              | (6,006)          | (50,787)          | (11,145)        | (67,938)          |
| <b>Surplus for year</b>                          | <b>2,248,895</b> | <b>16,389,668</b> | <b>652,044</b>  | <b>19,290,607</b> |