



**NOTICE IS HEREBY GIVEN THAT THE FORTY-FOURTH ANNUAL GENERAL MEETING OF WOOLTRU HEALTHCARE FUND WILL BE HELD IN THE AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN ON 8 JUNE 2010 AT 14:00.**

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#### **AGENDA**

1. Chairperson's welcome to members
2. To read the notice convening the Annual General Meeting
3. To adopt the minutes of the Annual General Meeting held on 9 June 2009
4. To adopt the annual report of the Board for the year ended 31 December 2009
5. To adopt the financial statements for the year ended 31 December 2009
6. To adopt the report of the auditors for the year ended 31 December 2009
7. To appoint the auditors for the ensuing year
8. To ratify the appointment of Trustees in terms of rule 18.3.
9. General

By order of the Board

**KEITH TITLEY**  
PRINCIPAL OFFICER

**MINUTES OF THE FORTY-THIRD ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN, ON TUESDAY, 9 JUNE 2009 AT 14:00**

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- **Present:** 28 members represented in person and 25 proxies received
- **Chairperson:** Ms Z Rylands
- **Principal Officer:** Mr K Titley
- **Apologies:** None

**1. CHAIRPERSON'S WELCOME**

The Chairperson opened the meeting and welcomed those present.

A special word of welcome was directed to Amiena van Schalkwyk (Wooltru Healthcare Fund Scheme Manager), Newton Coghlan (Wooltru Healthcare Fund Management Accountant) and Jacky Hartogh (Committee Secretary), who are representatives of Metropolitan Health Group, the Fund's Administrators.

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 11 JUNE 2008**

Ms Malander proposed that the minutes of the 2008 Annual General Meeting be approved and adopted.

Mr Durham seconded the proposal, which was unanimously adopted.

The minutes of the Forty-second Annual General Meeting held on 11 June 2008 were signed as a true record of the proceedings.

**4. REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2008**

The annual report of the Board of Trustees for the year ended 31 December 2008, having been circulated, was presented to the meeting.

**5. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

The Annual Financial Statements for the year ended 31 December 2008, having been circulated, were presented to the meeting.

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

**6. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2008**

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

Mr Bazlinton proposed that the audited financial statements, the report of the Trustees, and the report of the auditors for the year ended 31 December 2008 be approved and adopted.

Ms Sieberhagen seconded the proposal, which was unanimously adopted.

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

The Chairperson advised that the Trustees had engaged in a tender process for the 2009 financial year. Following this tender process, the Trustees had proposed that the Fund renew the appointment of Ernst & Young as the external auditors to the Fund for the financial year ending 31 December 2009.

**MINUTES OF THE FORTY-THIRD ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN, ON TUESDAY, 9 JUNE 2009 AT 14:00 (CONTINUED)**

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

Mr Tate proposed the Fund renew the appointment of Ernst & Young as auditors to the Fund for the financial year ending 31 December 2009.

Ms Wulfohn seconded the proposal, which was unanimously adopted.

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

The appointments of the following Member-elected Trustees were ratified:

- Mr P Bazlinton Pensioner Representative Trustee
- Mr B van Greunen Woolworths Employee Representative Trustee
- Ms M Sacks Woolworths Employee Representative Trustee

**9. GENERAL**

No general items were raised for discussion.

**10. CLOSURE**

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

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

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

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

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

**WOOLTRU HEALTHCARE FUND  
SUMMARISED ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2009**

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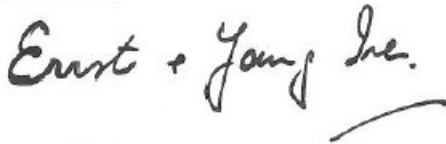
**REPORT OF THE INDEPENDENT AUDITORS  
to the members of the Wooltru Healthcare Fund**

We have audited the financial statements of the Wooltru Healthcare Fund for the year ended 31 December 2009, from which the summarised financial statements were derived, in accordance with International Standards on Auditing.

In our report dated 22 April 2010 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 2009 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.



**Ernst & Young Inc**  
Registered Auditor

Cape Town  
29 May 2010

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ended 31 December 2009**

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**CHAIRPERSON'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 2009.

The Fund's net healthcare deficit (operating deficit) for the year amounted to R12.4 million, an improvement over the 2008 deficit of R16.3 million. The Core Option ended the year on an almost break-even position, while the deficits for the Plus and Extended Options amounted to R7.5 million and R4.8 million respectively. The major contributor to the Extended Option's deficit was a single hospital event, which cost the Fund almost R2 million. Investment returns yielded R15 million for the year, resulting in an overall surplus for the year of R2.6 million. The Fund's solvency ratio continued its decreasing trend from 93.8% to 85.8% over the year under review.

The Fund's reserving policy was amended during 2009 and is currently as follows:

- to maintain the general reserve at 40% of annual contributions (statutory minimum = 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 Fifth Quadrant from time to time;
- to utilise annual investment growth in excess of the consumer price index (CPIX) + 2% to subsidise the operations of the Fund and thereby effectively subsidise member contributions; and
- to regard the balance of the general reserve as a surplus asset reserve to be utilised to cushion the impact of anticipated continuing operating deficits over a rolling 10-year period. This strategy is designed to protect members from the need to impose sudden high contribution increases where an above average deficit is experienced in any one year.

The Risk Equalisation Fund (REF) reserve was removed in 2009, following an REF actuarial risk assessment undertaken on behalf of the Fund by Fifth Quadrant, which indicated that a special reserve for this purpose was no longer required.

At 31 December 2009, the Fund's reserve position was as follows:

	<b>R'000</b>
General reserve	66,514
HIV reserve	13,323
Revaluation reserve	3,186
Surplus asset reserve	62,885
<b>Total members' funds</b>	<b>145,908</b>

The recent trend of decreases in the Fund's solvency margin is being closely monitored by the Board to ensure that this remains within manageable constraints. Members can take comfort from the fact that, despite these decreases, the Fund remains financially sound and that, through ongoing effective management, the Fund is well positioned to meet its future challenges.

Contributions were increased by between 13% and 14% with effect from 1 January 2010. In addition, the following benefit changes were implemented for the 2010 benefit year:

- **Core Option:** This option continues to be managed by CareCross as an outsourced capitation option and no material changes have been introduced for 2010.
- **Plus Option:** As a result of various operational problems experienced during 2009, the requirement for members to register with the OneCare GP network was removed and the management of chronic benefits was transferred back to Qualsa from OneCare. The Fund appointed CareCross as its designated service provider (DSP) in respect of all prescribed minimum benefit (PMB) conditions. Members were advised of the process to be followed in respect of PMBs. All non-PMB hospital claims will be paid to a maximum of 100% of the National Health Reference Price List (NHRPL) and an upfront admission fee of R500 has been introduced. The latter changes have been introduced in an attempt to slow the ever-spiralling hospital component of the Fund's healthcare costs. A co-payment of R1,500 on all MRI and CT scans, as well as scopes done in hospital, was also introduced to try and maintain the affordability of this option.
- **Extended Option:** The chronic benefit management on the Extended Option was also transferred back to Qualsa from OneCare and CareCross was appointed as the DSP. All non-PMB hospital claims will be paid to a maximum of 300% of the NHRPL. There were no further changes to the Extended Option.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ended 31 December 2009**

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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 2009:**

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

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

**1.3 Registered office address**

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

**1.4 Scheme Administrator**

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

**2. DESCRIPTION OF SCHEME**

**2.1 Terms of registration**

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

**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 fully capitated network option providing hospital benefits and comprehensive day-to-day cover through the CareCross network of doctors, dentists and optometrists.

The Plus Option provides members with an annual medical allowance with 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. Non-prescribed minimum benefit (PMB) hospital benefits are limited to 100% of National Health Reference Price List (NHRPL) and are subject to an upfront admission fee. There are deductibles imposed on all MRI and CT scans and scopes done in hospital. PMB benefits must be obtained via a designated service provider (DSP) to ensure full cover of costs incurred.

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

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

**for the year ended 31 December 2009 (continued)**

**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, and in line with the relaxation of the limits of investment in equities granted to the Fund by the Registrar of Medical Schemes in 2008. The Fund's investments have been managed by Prescient Investment Management since May 2002 and have achieved an annualised return of 15.4% per year since inception. The annual return for 2009 was 10%, which although well above the inflation rate, was slightly below target due to the adverse investment environment prevailing during that year. 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) to such a degree that 95% of the capital is protected over any calendar year.

The Trustees are advised by Fifth Quadrant Actuaries and Consultants who provide investment consulting services to the Fund and who monitors the returns from Prescient against a basket of asset managers who invest assets for other medical schemes. Prescient produced an average relative performance over the 2009 financial year and their ongoing performance will continue to be closely monitored during 2010.

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

**4.1 Operational activities**

	<b>2009</b>	<b>2008</b>
Number of members at year end	8,876	8,761
Average number of members for the year	8,829	8,745
Average contribution per member per month	1,569	1,425
Average claims incurred per member per month	1,501	1,381
Beneficiaries per member at 31 December	2.06	2.06
Average age of beneficiaries	30	29
Pensioner profile	13.7%	13.6%
Administration costs per member per month	157	154
Claims as a percentage of net contributions	95.6%	97.0%
Administration expenses as a percentage of net contributions	10.0%	10.8%
Accumulated funds ratio (solvency margin) at year end	85.8%	93.8%

**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 2009 (before investment returns) was as follows:

	<b>R'000</b>
Core	(118)
Plus	(7,502)
Extended	(4,813)
<b>Total Fund deficit</b>	<b>(12,433)</b>

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

The Trustees can confirm that even though the Fund incurred operational deficits on the Plus and Extended Options for 2009, these operating deficits were offset by the investment income earned over the year. The Fund remains in a financially sound position.

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

**for the year ended 31 December 2009 (continued)**

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

**4.4 Reserves**

See above.

**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 2009, detailing the benefits and contributions for 2010. In addition, members are encouraged to regularly visit the Fund's website ([www.wooltrumed.co.za](http://www.wooltrumed.co.za)), hosted by the Administrator, for information relating to the rules of the Fund and other pertinent information.

**6. HIV/AIDS PROGRAMME**

The Fund's HIV Risk Management programme aims to help affected beneficiaries live longer, healthier and more productive lives. The benefits of the 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 Qualsa and CareCross.

**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 2009 audit and Annual Financial Statements was:

- E Rood: Chairperson (Independent)
- D Crisp (Independent)
- Z Ganie (Non-trustee)
- P Wannenburg (Non-trustee)
- C Durham (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 and sub-committee meetings, where required.

**10. INDUSTRY DEVELOPMENTS**

The proposed introduction of a national health insurance (NHI) system for South Africa remains the major topic of discussion within the medical scheme industry. The recently appointed Minister of Health seems to have a very different approach to his predecessors and has set up an NHI task team to deal with this very strategic matter.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE  
WOOLTRU HEALTHCARE FUND  
for the year ended 31 December 2009 (continued)**

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**10. INDUSTRY DEVELOPMENTS (CONTINUED)**

The NHI debate has effectively stalled the introduction of various pieces of new and amending legislation including the draft amendments to the Medical Schemes Act and the proposed introduction of a Risk Equalisation Fund (REF). In the interim, the Council for Medical Scheme's interpretation of prescribed minimum benefit legislation is being challenged, while the impending Consumer Protection Act and Protection of Personal Information Bill both hold potentially material implications for medical schemes.

The Trustees will continue to monitor developments in respect of the above and will initiate appropriate action as and when required. The Fund's advisors remain close to the action and are well-placed to provide the Fund with regular updates of developments within the industry.

**11. VOTE OF APPRECIATION**

I would like to express my thanks to the following parties who ensure that the Fund continues to meet its objectives:

- the operating companies for their active support as sponsors of the Fund;
- our members for their co-operation 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, under the leadership of Sandile Mtolo, 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 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 Actuaries and Consultants, for their invaluable contribution;
- Prescient Investment Managers who, through Guy Toms, continue to provide above average long-term 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; and
- all service providers involved in caring for our members and their dependants.

**12. CONCLUSION**

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

We wish our members good health for 2010!

**Zyda Rylands**  
Chairperson

April 2010

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2009**

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The Board of Trustees hereby presents its report for the year ended 31 December 2009.

Council for Medical Schemes registration number of the Fund: 1293

**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:

**Employer-appointed Trustees**

Ms Z Rylands (Chairperson)  
Ms S Malander  
Ms N Wulfsohn  
Mr C Durham  
Mr S Pillay

**Member-elected Trustees**

Ms H Drabbe (resigned June 2009)  
Mr N Hlengwa (appointed June 2009)  
Mr P Bazlinton (retiree representative)  
Mr B Tate  
Mr B van Greunen  
Ms M Sacks

**1.2 Principal Officer**

**Mr K Titley**

**Physical address**

15 Croft Road  
Constantia  
7806

**Postal address**

PO Box 50345  
Waterfront  
8002

**1.3 Registered office address**

**Business address**

**Wooltru Healthcare Fund**

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

**Postal address**

PO Box 15403  
Vlaeberg  
8018

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

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

**Business address**

Town Square  
61 St George's Mall  
Cape Town  
8001

**Postal address**

PO Box 4313  
Cape Town  
8000

Accreditation number: 17

**1. MANAGEMENT (CONTINUED)**

**1.5 Investment managers: Prescient Investment Management (Pty) Ltd**

<b>Business address</b>	<b>Postal address</b>
Prescient House The Terraces Steenberg Boulevard Steenberg Office Park Tokai 7966	PO Box 31142 Tokai 7966

Financial services provider number: 2545

**1.6 Principal participating employers**

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

**1.7 Auditors: Ernst & Young Inc**

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

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

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

**2.3 Risk transfer arrangements**

During 2009 the Fund entered into risk transfer arrangements with CareCross Health (Pty) Ltd, OneCare Health (Pty) Ltd and Netcare 911 (Pty) Ltd.

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

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2009 (continued)**

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

**2.3 Risk transfer arrangements (continued)**

The OneCare arrangement provides chronic medication benefits for beneficiaries registered on the Plus and Extended Options. The OneCare arrangement also provides specialist and general practitioner networks for beneficiaries of the Plus Option.

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

**2.4 Managed care: Management services**

The expenses relating to managed care services were reduced from R4,614,980 in 2008 to R3,020,853 in 2009. This reduction was due to certain managed care programmes being discontinued in 2009, as these services were included in new risk transfer agreements. The relevant programmes are medicine risk management, prescribed minimum benefit management, pharmaceutical benefit management and the chronic effectiveness programme.

**2.5 Changes in operating environment**

There have been no significant changes in the Fund's operating environment during 2009.

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

**3.1 Operational statistics**

**2009**

	<b>Core</b>	<b>Plus</b>	<b>Extended</b>	<b>Total</b>
Number of members at year end	662	7,236	978	8,876
Number of beneficiaries at year end	1,150	14,928	2,185	18,263
Average number of members for the year	652	7,181	996	8,829
Average number of beneficiaries for the year	1,192	14,810	2,151	18,153
Number of new members	116	1,016	47	1,179
Number of members leaving	181	773	110	1,064
Dependants to member ratio at year end	0.74	1.06	1.23	1.06
Average age of beneficiaries for the year	29	28	38	30
Net contributions per average member per month (R)	912	1,472	2,700	1,569
Net contributions per average beneficiary per month (R)	499	714	1,250	763
Relevant healthcare expenditure as a percentage of gross contributions (%)	90.72	92.69	108.24	95.62
Relevant healthcare expenditure per average member per month (R)	827	1,365	2,922	1,501
Relevant healthcare expenditure per average beneficiary per month (R)	453	662	1,353	730
Amounts paid to Administrator (R)	563,628	11,575,862	1,617,298	13,756,788
Average administration cost per member per month (R)				157
Average administration cost per beneficiary per month (R)				76
Administration cost as a percentage of net contributions (%)	10.90	10.98	6.03	10.02
Average managed care expense per member per month (R)	-	33	17	29
Average managed care expense per beneficiary per month (R)	-	16	8	14
Non-healthcare expenditure as a percentage of contributions (%)	10.94	13.23	6.68	11.86
Accumulated funds per member at 31 December (R)				16,080
Return on investments as a percentage of investments (%)				9.43

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2009 (continued)**

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

**3.1 Operational statistics**

**2008**

	<b>Core</b>	<b>Plus</b>	<b>Extended</b>	<b>Total</b>
Number of members at year end	727	6,993	1,041	8,761
Number of beneficiaries at year end	1,343	14,437	2,257	18,037
Average number of members for the year	709	6,959	1,077	8,745
Average number of beneficiaries for the year	1,310	14,508	2,352	18,170
Number of new members	84	1,360	39	1,483
Number of members leaving	144	1,267	116	1,527
Dependants to member ratio at year end	0.85	1.06	1.17	1.06
Average age of beneficiaries for the year	27	27	37	29
Net contributions per average member per month (R)	841	1,327	2,438	1,425
Net contributions per average beneficiary per month (R)	455	637	1,116	686
Relevant healthcare expenditure as a percentage of gross contributions (%)	87.58	96.66	100.18	96.97
Relevant healthcare expenditure per average member per month (R)	737	1,283	2,443	1,381
Relevant healthcare expenditure per average beneficiary per month (R)	399	615	1,119	665
Amounts paid to Administrator (R)	1,097,055	10,829,839	1,685,138	13,612,032
Average administration cost per member per month (R)				154
Average administration cost per beneficiary per month (R)				74
Administration cost as a percentage of net contributions (%)	18.24	11.63	6.36	10.83
Average managed care expense per member per month (R)	33	46	38	44
Average managed care expense per beneficiary per month (R)	18	22	17	21
Non-healthcare expenditure as a percentage of contributions (%)	22.21	15.10	7.92	13.93
Accumulated funds per member at 31 December (R)				15,999
Return on investments as a percentage of investments (%)				11.08

**3.2 Financial results**

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

**3.3 Solvency ratio**

**2009  
R**

**2008  
R**

The solvency ratio is calculated on the following basis:

General reserve	129,398,824	128,397,793
HIV reserve	13,323,249	11,768,666
Revaluation reserve	3,186,149	4,250,482
Total members' funds as per statement of financial position	145,908,222	144,416,941
Less: Revaluation reserve	(3,186,149)	(4,250,482)
Accumulated funds	<u>142,722,073</u>	<u>140,166,459</u>

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2009 (continued)**

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

<b>3.3 Solvency ratio (continued)</b>	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
Contribution income per statement of comprehensive income	166,284,902	149,492,233
Accumulated funds/gross contribution income x 100	<u>85.83%</u>	<u>93.76%</u>

The solvency ratios for both 2009 and 2008 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 on page 20.

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

The revaluation reserve records fair value changes on available-for-sale investments. Changes in the fair value of available-for-sale investments are recognised in the revaluation reserve, as well as 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 comprehensive income or expenditure in the statement of comprehensive income.

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

**3.5 Outstanding claims provision**

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

Movements on the outstanding claims provision are set out in note 7 to the summarised annual financial statements on page 25.

**4. INVESTMENT POLICY OF THE FUND**

The Fund invests funds in compliance with the requirements of the Medical Schemes Act of 1998. Prescient Investment Management (Pty) Ltd have managed the Fund's investments since 23 May 2002. In December 2008, the Trustees approved an updated mandate of the investment manager increasing the maximum allowable investment in equities from 40% to 50% of the total amount invested. Though this is higher than the 40% stipulated by the Medical Schemes Act, permission was granted for up to 60% equity exposure by the Council for Medical Schemes.

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 investment 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. The 2009 review report was dated 2 September 2009. 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 STATEMENT OF FINANCIAL POSITION DATE**

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

**7. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT 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 annexure B of Regulation 29 under the Act*

As at the November and December 2009 month-ends, the Fund had invested 38% and 40% respectively of its total funds with The Standard Bank of South Africa. These percentages are in excess of the statutory limitation of 35% stipulated by annexure B of Regulation 29.

The contraventions were not intentional and were due to a misunderstanding of internal limits set by the Fund. The Fund operates a current account through its Administrator with Standard Bank, as well as having investments, managed by its investment managers, in Standard Bank. When contributions had accumulated in the Fund's current account, the aggregate of the balance on this account and the investments resulted in the statutory limitation being breached. The situations were corrected on 3 December and 4 January 2010 respectively, when funds were transferred from the Fund's current account. Since then internal processes have been improved and revised investment limits set so as to prevent further breaches.

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

As at 31 December 2009, the Extended Option was in a deficit position. The deficit amounted to R3,121,835 (2008: deficit of R493,414) representing 1.88% (2008: 0.33%) of the consolidated contributions of the Fund.

The net deficit position for the Extended Option in 2009 of R3,121,835 represents 9.67% of the Extended Option's annual contributions for 2009. The loss on this option arose largely due to one very high cost claim, which for an option of only 978 members is difficult to absorb. The Trustees note that this event is of an unusual nature and that the Fund is financially sound.

**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 which 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:

- 7 April 2009;
- 6 August 2009; and
- 24 November 2009.

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.

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2009 (continued)**

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**9. AUDIT COMMITTEE (CONTINUED)**

At 31 December 2009, the Audit Committee comprised:

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

**10. INVESTMENT COMMITTEE**

An Investment Committee was established during 2005. The Chairman 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 2009 as follows:

- 21 January 2009;
- 15 April 2009;
- 15 July 2009; and
- 21 October 2009.

At 31 December 2009, the Investment Committee comprised:

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

**11. DISPUTES COMMITTEE**

A Disputes Committee was established on 23 May 2006 to arbitrate and resolve disputes between members and the Fund. The Disputes Committee consists of three persons who are not Trustees or officers of the Fund in order to ensure independence. The Disputes Committee did not need to meet during 2009.

At 31 December 2009, the Disputes Committee comprised:

- |                  |                             |
|------------------|-----------------------------|
| - Ms C Lowe      | Woolworths Holdings Ltd     |
| - Mr V Southwell | Truworhts International Ltd |
| - Ms A Gale      | Woolworths Holdings Ltd     |

**12. BENEFITS COMMITTEE**

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

The Benefits Committee met on four occasions during 2009 as follows:

- 15 April 2009;
- 10 June 2009;
- 15 July 2009; and
- 17 August 2009.

At 31 December 2009, the Benefits Committee comprised:

- |                    |                     |
|--------------------|---------------------|
| - Ms S Malander    | Chairperson/Trustee |
| - Mr C du Plessis  | Non-trustee         |
| - Ms H Drabbe      | Non-trustee         |
| - Mr B van Greunen | Trustee             |
| - Mr P Bazlinton   | Trustee             |

**WOOLTRU HEALTHCARE FUND  
REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2009 (continued)**

**13. TRUSTEE AND COMMITTEE MEETING ATTENDANCE**

The following schedule sets out the Board of Trustees and committee meetings attendances. Trustee remuneration is disclosed in note 10 to the Annual Financial Statements.

Trustee/committee member	Board meetings		Investment Committee meetings		Audit Committee meetings		Benefits Committee meetings	
	A	B	A	B	A	B	A	B
<b>Number of meetings for the year</b>	5		4		3		4	
<b>Trustees</b>								
Ms S Malander	5	5	4	2			4	4
Mr C Durham	5	4			3	3		
Ms Z Rylands	5	4						
Ms H Drabbe	3	3					4	4
Mr N Hlengwa	2	2						
Ms N Wulfsohn	5	3	4	3	3	2		
Mr S Pillay	5	4						
Mr B van Greunen	5	4					4	3
Ms M Sacks	5	3						
Mr P Bazlinton	5	5					4	4
Mr B Tate	5	4						
<b>Committee members</b>								
Ms J Pillay					1	1		
Ms Z Ganie					2	2		
Mr C du Plessis							4	3
Mr D Crisp					3	3		
Mr P Wannenburg			4	4	3	2		
Mr E Rood	1	1			3	3		
Mr G Scott	4	3	4	4			4	3

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

*B: Actual number of meetings attended*

**14. MANAGEMENT OF INSURANCE RISK**

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

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

**WOOLTRU HEALTHCARE FUND**  
**SUMMARISED STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2009

	Notes	2009 R	2008 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Available-for-sale investments		125,631,232	95,192,473
<b>Current assets</b>			
Trade and other receivables		2,405,963	3,150,763
Available-for-sale investments		9,100,519	41,312,252
Cash and cash equivalents		16,402,475	13,999,452
<b>Total assets</b>		<u>153,540,189</u>	<u>153,654,940</u>
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b> (refer page 20)			
General reserve		129,398,824	128,397,793
HIV reserve		13,323,249	11,768,666
Revaluation reserve		3,186,149	4,250,482
<b>Current liabilities</b>			
Trade and other payables		457,307	1,311,047
Outstanding claims provision	7	7,174,660	7,926,952
<b>Total funds and liabilities</b>		<u>153,540,189</u>	<u>153,654,940</u>

**WOOLTRU HEALTHCARE FUND**  
**SUMMARISED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2009

	Notes	2009 R	2008 R
<b>Contribution income</b>		166,284,902	149,492,233
<b>Relevant healthcare expenditure</b>		(159,001,041)	(144,959,893)
Net claims incurred	8	(159,027,407)	(141,933,684)
Claims incurred		(159,446,278)	(142,425,400)
Third-party claim recoveries		418,871	491,716
Net expense on risk transfer arrangements	9	26,366	(3,026,209)
Premiums paid on risk transfer arrangements		(17,526,083)	(12,190,997)
Recoveries received on risk transfer arrangements		17,552,449	9,164,788
<b>Gross healthcare result</b>		7,283,861	4,532,340
Managed care: Management services		(3,020,853)	(4,614,980)
Administration and other expenses		(16,660,821)	(16,194,410)
Net impairment losses on trade and other receivables		(35,664)	(10,953)
<b>Net healthcare result</b>		(12,433,477)	(16,288,003)
<b>Other income</b>		15,362,418	18,467,453
Investment income	10	11,972,231	15,558,316
Net realised gains on available-for-sale financial assets	11	2,657,112	2,864,854
Sundry income		126,253	44,283
Investment management performance fee accrual reversal		606,822	-
<b>Other expenditure</b>			
Investment management fees		(373,327)	(1,740,940)
<b>Net surplus for the year</b>		2,555,614	438,510
<b>Other comprehensive (expenditure)/income</b>			
Unrealised gain on revaluation of available-for-sale investment		1,592,779	3,990,198
Realised loss on derecognition of available-for-sale investment		(2,657,112)	(2,864,854)
<b>Total comprehensive income</b>		1,491,281	1,563,854

**WOOLTRU HEALTHCARE FUND**  
**SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES**  
**for the year ended 31 December 2009**

	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
	<b>General reserve</b>	<b>Revaluation reserve</b>	<b>HIV reserve</b>	<b>Members' funds</b>
Balance at 1 January 2008	130,064,176	3,125,138	9,663,773	142,853,087
Surplus for the year	438,510	-	-	438,510
Unrealised gain on revaluation of available-for-sale investment	-	3,990,198	-	3,990,198
Realised loss on derecognition of available-for-sale investment	-	(2,864,854)	-	(2,864,854)
Transfer to HIV reserve	(2,104,893)	-	2,104,893	-
Balance at 1 January 2009	128,397,793	4,250,482	11,768,666	144,416,941
Surplus for the year	2,555,614	-	-	2,555,614
Unrealised gain on available-for-sale investment	-	1,592,779	-	1,592,779
Realised loss on derecognition of available-for-sale investment	-	(2,657,112)	-	(2,657,112)
Transfer to HIV reserve	(1,554,583)	-	1,554,583	-
Balance at 31 December 2009	129,398,824	3,186,149	13,323,249	145,908,222

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

**WOOLTRU HEALTHCARE FUND**  
**SUMMARISED STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2009**

	Notes	2009 R	2008 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year		2,555,614	438,510
Adjustments for:			
- Investment income	10	(11,972,231)	(15,558,316)
- Investment management fees		373,327	1,740,940
- Realised gain on derecognition of available-for-sale investments	11	(2,657,112)	(2,864,854)
- Impairment losses		35,664	10,953
		<u>(11,664,738)</u>	<u>(16,232,767)</u>
Decrease/(increase) in trade and other receivables		709,136	(1,307,389)
Decrease in trade and other payables		(853,740)	(4,203,991)
(Decrease)/increase in outstanding claims provision		(752,292)	2,026,233
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<u>(12,561,634)</u>	<u>(19,717,914)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	10	11,972,231	15,558,316
Investment management fees		(373,327)	(1,740,940)
Capitalised interest		(9,554,834)	(15,386,413)
Additions		(116,081,954)	(109,319,855)
Disposals		129,002,541	129,467,712
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<u>14,964,657</u>	<u>18,578,820</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>2,403,023</u>	<u>(1,139,094)</u>
Cash and cash equivalents at beginning of the year		13,999,452	15,138,546
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<u>16,402,475</u>	<u>13,999,452</u>

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009**

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**1. PRINCIPAL ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial year.

**1.1 Basis of preparation**

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

**2. EVENTS AFTER BALANCE SHEET DATE**

There have been no events that have occurred subsequent to the end of the accounting period that affect the Annual Financial Statements 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 2009.

**4. CONTINGENT ASSET**

At year end claims amounting to R2,947,421 (2008: R3,604,187) had been lodged with the Road Accident Fund relating to past medical expenses already paid, with the potential recovery value of R2,365,549 (2008: R3,265,367).

**5. AUDITED ANNUAL FINANCIAL STATEMENTS**

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

**Business address**

Wooltru Healthcare Fund  
Town Square  
61 St George's Mall  
Vlaeberg  
8018

**Postal address**

Wooltru Healthcare Fund  
PO Box 15403  
Cape Town  
8001

**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.

Fifth Quadrant Actuaries and Consultants (Pty) Ltd (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 and network adjudication matters, but does not control the Fund.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**as at 31 December 2009 (continued)**

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

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

Prescient Investment Management (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 which are compensated on a fee basis (Principal Officer, Fund Manager and Medical Advisor) and some of which are compensated on an attendance basis (retiree representative on the Board of Trustees and independent members of committees). The balance of the Board of Trustees (including the Chairperson) receives 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>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<i>Compensation</i>		
Principal Officer's fees	455,052	421,344
Contribution toward Fund Manager's remuneration	241,500	228,300
Medical Advisor's fees	336,239	328,411
Trustee and committee members' remuneration	62,378	51,365
	<u>1,095,169</u>	<u>1,029,420</u>

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

**Statement of comprehensive income**

Gross contributions received	411,411	332,976
Claims incurred	383,781	153,649

**Statement of financial position**

Medical Advisor's fees due	27,283	22,736
----------------------------	--------	--------

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>
<i>Contributions received</i>	This constitutes the contributions in respect of the related parties as members of the Fund, received their individual capacities. All contributions were at the same terms as applicable to the Fund's members.
<i>Claims incurred</i>	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 the Fund's members.

**WOOLTRU HEALTHCARE FUND**  
**NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS**  
**as at 31 December 2009 (continued)**

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

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<i>Other transactions</i>		
<b>Transactions with entities that have significant influence over the Fund</b>		
<b>Statement of comprehensive income</b>		
Administration fees	13,756,788	13,612,032
Managed care fees and capitation premiums	2,163,953	14,370,605
Investment management fees	373,327	1,740,940
Investment management performance fee accrual reversal	606,822	-
Actuarial and consulting fees	361,795	333,431
Seminar and travel expenses	13,611	1,650
<b>Statement of financial position</b>		
Investment management performance fees due	-	606,822
Actuarial and consulting fees due	69,548	64,396
Sundry payables and provisions	1,980	-

**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 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. Performance fees are payable if certain investment performance benchmarks are achieved, but cannot be less than R nil.

**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**  
**as at 31 December 2009 (continued)**

**7. OUTSTANDING CLAIMS PROVISION**

	R	R
	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
<b>2009</b>		
Outstanding claims provision	932,698	6,241,962
Provision arising from liability adequacy test	-	-
	<u>932,698</u>	<u>6,241,962</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	483,244	7,443,708
Payments in respect of prior year	(221,193)	(7,266,391)
Over provision in respect of prior year	262,051	177,317
Adjustment for current year	670,647	6,064,645
Balance at end of year	932,698	6,241,962
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	6,241,962
Outstanding claims provision relating to risk transfer arrangements	932,698	-
Balance at end of year	<u>932,698</u>	<u>6,241,962</u>
Total outstanding claims provision at end of year		<u>7,174,660</u>
<b>2008</b>		
Outstanding claims provision	483,244	7,443,708
Provision arising from liability adequacy test	-	-
	<u>483,244</u>	<u>7,443,708</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	178,938	5,721,781
Payments in respect of prior year	(218,490)	(5,493,726)
(Under)/over provision in respect of prior year	(39,552)	228,055
Adjustment for current year	522,796	7,215,653
Balance at end of year	<u>483,244</u>	<u>7,443,708</u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	7,443,708
Outstanding claims provision relating to risk transfer arrangements	483,244	-
Balance at end of year	<u>483,244</u>	<u>7,443,708</u>
Total outstanding claims provision at end of year		<u>7,926,952</u>

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.

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

**Assumptions and sensitivities (continued)**

*Process used to determine the assumptions*

There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

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

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

The method used is consistent with 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:

Claims outstanding for:	<b>2009</b>	<b>2008</b>
- December	10%	8%
- November	4%	3%
- October	1%	1%
- September	1%	1%
- August and prior	1%	0%

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

**Assumptions and sensitivities (continued)**

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

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

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

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

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

	<b>Change in liability 2009 R</b>	<b>Change in liability 2008 R</b>
Effect of a 1 percentage point change in assumed percentage	505,360	540,407
Effect of a 2 percentage point change in assumed percentage	1,021,434	1,016,814
Effect of a 3 percentage point change in assumed percentage	1,548,511	1,578,731

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

**8. NET CLAIMS INCURRED**

	<b>2009 R</b>	<b>2008 R</b>
<b>Claims incurred, excluding claims incurred in respect of risk transfer arrangements</b>		
Current year claims	135,903,970	126,122,317
Adjustment for current year	6,064,645	7,215,652
- (Over) provision in prior years	(177,317)	(228,055)
- Year-end provision	6,241,962	7,443,707
Less:		
- Discount received on claims	(74,786)	(77,356)
	<u>141,893,829</u>	<u>133,260,613</u>
<b>Claims incurred in respect of risk transfer arrangements</b>		
Current year claims	16,881,802	8,641,991
Adjustment for current year	670,647	522,796
- (Over)/under provision in prior years	(262,051)	39,552
- Year-end provision	932,698	483,244
	<u>17,552,449</u>	<u>9,164,787</u>

**WOOLTRU HEALTHCARE FUND**  
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**8. NET CLAIMS INCURRED (CONTINUED)**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>Third-party claim recoveries</b>		
Recoveries from the Road Accident Fund	(418,871)	(491,716)
<b>TOTAL NET CLAIMS INCURRED</b>	<u>159,027,407</u>	<u>141,933,684</u>

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

Premiums paid		
- Qualsa Healthcare (Pty) Ltd	-	10,007,763
- CareCross Health (Pty) Ltd	6,447,305	-
- ONECARE Health (Pty) Ltd	10,517,220	1,686,937
- Netcare 911 (Pty) Ltd	561,558	496,297
	<u>17,526,083</u>	<u>12,190,997</u>
Recoveries received	(17,552,449)	(9,164,788)
- Qualsa Healthcare (Pty) Ltd	262,051	(7,031,017)
- CareCross Health (Pty) Ltd	(5,721,624)	-
- ONECARE Health (Pty) Ltd	(11,509,611)	(1,792,539)
- Netcare 911 (Pty) Ltd	(583,265)	(341,232)
	<u>(26,366)</u>	<u>3,026,209</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 Fund entered into a risk transfer arrangement with ONECARE Health (Pty)Ltd. ONECARE undertook to meet the cost of chronic medication benefits for beneficiaries registered on the Plus and Extended Options. The ONECARE arrangement also provides specialist and general practitioner networks for beneficiaries of the Plus Option.

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

**10. INVESTMENT INCOME**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
Available-for-sale financial assets investment income	11,258,464	14,725,440
Cash and cash equivalents interest income	713,767	832,876
	<u>11,972,231</u>	<u>15,558,316</u>

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

Realised gain on available-for-sale financial assets	25,378,533	4,822,974
Equity derivatives	25,375,559	4,814,520
Money-market instruments	2,974	8,454

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**11. NET REALISED GAINS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
Realised losses on available-for-sale financial assets	(22,721,421)	(1,958,120)
Equity derivatives	(22,695,606)	(1,957,885)
Money-market instruments	(25,815)	(235)
	<u>2,657,112</u>	<u>2,864,854</u>

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

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 was not complied with during the year:

*Non-compliance with annexure B of Regulation 29 under the Act*

As at the November and December 2009 month-ends, the Fund had invested 38% and 40% respectively of its total funds with The Standard Bank of South Africa. These percentages are in excess of the statutory limitation of 35% stipulated by annexure B of Regulation 29.

The contraventions were not intentional and were due to a misunderstanding of internal limits set by the Fund. The Fund operates a current account, through its Administrator, with Standard Bank, as well as having investments, managed by its investment managers, in Standard Bank. When contributions had accumulated in the Fund's current account, the aggregate of the balance on this account and the investments resulted in the statutory limitation being breached. The situations were corrected on 3 December and 4 January 2010 respectively, when funds were transferred from the Fund's current account. Since then internal processes have been improved and revised investment limits set so as to prevent further breaches.

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

As at 31 December 2009, the Extended Option was in a deficit position. The deficit amounted to R3,121,835 (2008: deficit of R493,414) representing 1.88% (2008: 0.33%) of the consolidated contributions of the Fund.

The net deficit position for the Extended Option in 2009 of R3,121,835 represents 9.67% of the Extended Option's annual contributions for 2009. The loss on this option arose largely due to one very high-cost claim, which for an option of only 978 members is difficult to absorb. The Trustees note that this event is of an unusual nature and that the Fund is financially sound.

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

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

<b>2009</b>	<b>CORE</b>	<b>PLUS</b>	<b>EXTENDED</b>	<b>TOTAL</b>
<b>Contributions</b>	7,135,685	126,880,897	32,268,320	166,284,902
<b>Relevant healthcare expenditure</b>	(6,473,486)	(117,601,478)	(34,926,077)	(159,001,041)
Net claims incurred	(5,741,375)	(118,334,317)	(34,951,715)	(159,027,407)
Net (expense)/income on risk transfer arrangements	(732,111)	732,839	25,638	26,366
<b>Gross healthcare result</b>	662,199	9,279,419	(2,657,757)	7,283,861
Managed care:				
Management services	-	(2,814,840)	(206,013)	(3,020,853)
Administrative expenses	(777,996)	(13,937,823)	(1,945,002)	(16,660,821)

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

<b>2009</b>	<b>CORE</b>	<b>PLUS</b>	<b>EXTENDED</b>	<b>TOTAL</b>
Impairment losses on trade and other receivables	(2,657)	(29,024)	(3,983)	(35,664)
<b>Net healthcare result</b>	(118,454)	(7,502,268)	(4,812,755)	(12,433,477)
<b>Other income</b>	1,134,477	12,494,906	1,733,035	15,362,418
Investment income	884,120	9,737,523	1,350,588	11,972,231
Net realised gains	196,221	2,161,142	299,749	2,657,112
Sundry income	9,323	102,687	14,243	126,253
Investment management performance fee accrual reversal	44,812	493,554	68,456	606,822
<b>Other expenditure</b>				
Investment management fees	(27,569)	(303,643)	(42,115)	(373,327)
<b>Surplus/(deficit) for the year</b>	<b>988,454</b>	<b>4,688,995</b>	<b>(3,121,835)</b>	<b>2,555,614</b>
<b>2008</b>	<b>CORE</b>	<b>PLUS</b>	<b>EXTENDED</b>	<b>TOTAL</b>
<b>Contributions</b>	7,155,931	110,824,834	31,511,468	149,492,233
<b>Relevant healthcare expenditure</b>	(6,266,989)	(107,123,930)	(31,568,974)	(144,959,893)
Net claims incurred	(5,727,776)	(103,215,537)	(32,990,371)	(141,933,684)
Net (expense)/income on risk transfer arrangements	(539,213)	(3,908,393)	1,421,397	(3,026,209)
<b>Gross healthcare result</b>	888,942	3,700,904	(57,506)	4,532,340
Managed care:				
Management services	(283,377)	(3,841,860)	(489,743)	(4,614,980)
Administrative expenses	(1,304,929)	(12,884,636)	(2,004,845)	(16,194,410)
Impairment losses on trade and other receivables	(947)	(8,714)	(1,292)	(10,953)
<b>Net healthcare result</b>	(700,311)	(13,034,306)	(2,553,386)	(16,288,003)
<b>Other income</b>	1,497,247	14,695,827	2,274,379	18,467,453
Investment income	1,261,389	12,380,826	1,916,101	15,558,316
Net realised gains	232,268	2,279,762	352,824	2,864,854
Sundry income	3,590	35,239	5,454	44,283
<b>Other expenditure</b>				
Investment management fees	(141,147)	(1,385,386)	(214,407)	(1,740,940)
<b>Surplus/(deficit) for the year</b>	<b>655,789</b>	<b>276,135</b>	<b>(493,414)</b>	<b>438,510</b>

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

All items of income or expenditure that do not relate directly to a specific option are allocated across all options on a proportional basis with reference to membership of each option.

The Extended Option was in a net deficit position of R3,121,835 as at 31 December 2009 (2008: deficit of R493,414). Please refer to note 12.

