



NOTICE IS HEREBY GIVEN THAT THE FORTY-THIRD 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 2009 AT 14:00.

AGENDA

1. Chairperson's welcome to members
2. To read the Notice convening the Annual General Meeting
3. To adopt the Minutes of the Annual General Meeting held on 11 June 2008
4. To adopt the Annual Report of the Board for the year ended 31 December 2008
5. To adopt the Financial Statements for the year ended 31 December 2008
6. To adopt the Report of the Auditors for the year ended 31 December 2008
7. To appoint the Auditors for the ensuing year
8. To ratify the appointment of three Employee-nominated Trustees in terms of rule 18.3.
9. General

By order of the Board

KEITH TITLEY
PRINCIPAL OFFICER

MINUTES OF THE FORTY-SECOND ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN, ON WEDNESDAY, 11 JUNE 2008 AT 14:00

- **Present:** 20 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) and Kashiefa Martin (Wooltru Healthcare Fund Committee Secretary), 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 12 JUNE 2007

Mr Bazlinton proposed that the Minutes of the 2007 Annual General Meeting be approved and adopted. Ms Malander seconded the proposal, which was then unanimously adopted.

The Minutes of the forty-first Annual General Meeting held on 12 June 2007 were signed as a true record of the proceedings.

4. REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2007

The Annual Report of the Board of Trustees for the year ended 31 December 2007, having been circulated, was presented to the meeting.

Mr Bazlinton referred to the table on page 5 of the Report and noted that R'000 should be amended to R'000,000.

Mr Bazlinton also pointed out that the "surplus asset reserve" of 155.87 should be 55.87.

MHG undertook to correct the Report for record purposes.

5. AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Annual Financial Statements for the year ended 31 December 2007, 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.

6. REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2007

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.

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 2007 be approved and adopted.

Mr du Plessis seconded the proposal, which was then unanimously adopted.

MINUTES OF THE FORTY-SECOND ANNUAL GENERAL MEETING OF MEMBERS OF THE WOOLTRU HEALTHCARE FUND, HELD IN THE WOOLWORTHS AUDITORIUM, FIRST FLOOR, WOOLWORTHS HOUSE, 93 LONGMARKET STREET, CAPE TOWN, ON WEDNESDAY, 11 JUNE 2008 AT 14:00 (CONTINUED)

7. APPOINTMENT OF THE AUDITORS FOR THE ENSUING YEAR

Ms Wulfsohn proposed that the Fund renew the appointment of Ernst & Young as auditors to the Fund for the financial year ending 31 December 2008.

Mr Tate seconded the proposal, which was unanimously adopted.

8. GENERAL

No general items were raised for discussion.

9. 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 effort over the past year.

The Chairperson then 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 2008**

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

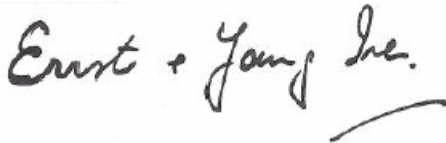
We have audited the financial statements of the Wooltru Healthcare Fund for the year ended 31 December 2008, from which the summarised financial statements were derived, in accordance with International Standards on Auditing.

In our report dated 17 April 2009 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 2008 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
4 May 2009

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
for the year ending 31 December 2008**

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 2008.

The Fund experienced a net healthcare deficit (operating deficit) of R16.3 million (representing approximately 10.9% 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 R0.4 million. The Fund's solvency ratio decreased from 100% to 93.8% for the year under review.

Contributions were increased by between 10% and 12% with effect from 1 January 2009. In addition, the following benefit changes were implemented for the 2009 benefit year:

- The Fund entered into a full capitation contract with CareCross in respect of the **Core Option** for 2009; however, the benefit structure remained unchanged.
- Apart from some minor changes to network subsidies, the only material change to the **Plus Option** for 2009 was the transfer of management of chronic benefits from Qualsa to OneCare. This change was introduced, firstly, to bring the management of chronic conditions into the OneCare GP network environment and, secondly, to take advantage of a more favourable chronic care cost package offered by OneCare. Benefit limits were increased on average by 10%.
- Benefit limits were increased on average by 10% in respect of the **Extended Option**; the management of chronic benefits was also transferred to OneCare.

The Fund's reserving policy is as follows:

- to maintain the general reserve at 40% of annual contributions (the statutory minimum is 25%);
- to maintain the level of the HIV/AIDS reserve in line with the actuarial HIV risk assessments undertaken on behalf of the Fund by Fifth Quadrant from time to time;
- to maintain a Risk Equalisation Fund (REF) reserve in line with the REF actuarial risk assessments undertaken on behalf of the Fund by Fifth Quadrant from time to time;
- to utilise annual investment growth in excess of consumer price index (CPI) + 2% to subsidise the operations of the Fund and thereby effectively subsidise member contributions;
- 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 through risk management and other initiatives.

At 31 December 2008, the Fund's reserve position was as follows:

	R'000
General reserve	59,797
HIV reserve	11,769
REF reserve	46,976
Revaluation reserve	4,250
Surplus asset reserve	21,625
Total members' funds	144,417

The increase in the Fund's operating deficit is being closely watched by the Board to ensure that this remains within manageable constraints. Members can take comfort from the fact that the Fund is financially sound and that, through ongoing effective management, the Fund is well positioned to meet future 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 2008:

Employer appointed

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

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 2008 (continued)**

1. GOVERNANCE (CONTINUED)

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 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 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 the OneCare 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 more expensive.

Benefits in respect of hospitalisation, certain out-of-hospital procedures, chronic medication, HIV/AIDS treatment and preventative tests are the same for both the Plus and Extended Options.

3. INVESTMENT POLICY OF THE FUND

The Board of Trustees have 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 16.2% per annum from that date to end 2008. Prescient's investment mandate is to generate real returns over time, while at the same time protecting the portfolio from downside risk (i.e. capital protection) so that 95% of the capital is protected over any calendar year.

The Trustees monitor the returns from Prescient against a basket of investment managers who manage assets for other medical schemes. Prescient outperformed all these members over the 2008 financial year.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
for the year ending 31 December 2008 (continued)**

4. REVIEW OF THE YEAR'S ACTIVITIES

4.1 Operational activities

	2008	2007
Number of members at year end	8,761	8,805
Average number of members for the year	8,745	8,604
Average contribution per member per month	1,425	1,353
Average claims incurred per member per month	1,381	1,249
Beneficiaries per member at 31 December	2.06	2.10
Average age of beneficiaries	29	29
Pensioner profile	13.6%	12.8%
Administration costs per member per month	154	144
Claims as a percentage of net contributions	97.0%	92.3%
Administration expenses as a percentage of net contributions	10.8%	10.6%
Accumulated funds ratio (solvency margin) at year end	93.8%	100.4%

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 2008 (before investment returns) was as follows:

	R'000
Core	(701)
Plus	(13,034)
Extended	(2,553)
Total Fund deficit	(16,288)

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 although the Fund has incurred an operational deficit for 2008, this is within the stated reserving strategy and the above operating deficit was offset by the investment income earned over the year.

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 2008, detailing the benefits and contributions for 2009.

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
for the year ending 31 December 2008 (continued)**

5. COMMUNICATION TO MEMBERS (CONTINUED)

In addition, members are encouraged to regularly visit the Fund's website (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 beneficiaries live longer, healthier and productive lives. Benefits of these programmes include education and personal support from case managers, regular consultations, tests to monitor health and anti-retroviral therapy. The HIV programme is a totally confidential programme 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 2008 audit and Annual Financial Statements was:

- E Rood: Chairperson (Independent)
- D Crisp (Independent)
- J Pillay (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

The proposed introduction of a national health insurance system for South Africa, as outlined at the ANC's Polokwane conference, has thrown the whole healthcare industry into confusion. This, together with the pending changes to the ANC power base within Government, has stalled the introduction of various pieces of legislation, including the draft amendments to the Medical Schemes Act and the proposed introduction of a Risk Equalisation Fund (REF). To add to the confusion, the newly-appointed Minister of Health seems to have a very different agenda to that of her predecessor.

Given the above state of affairs, all the Trustees can do is continue to monitor the situation and 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;

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
WOOLTRU HEALTHCARE FUND
for the year ending 31 December 2008 (continued)**

11. VOTE OF APPRECIATION (CONTINUED)

- 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, continues to provide above average returns on our investment portfolio;
- the Fund's Audit Committee, chaired by Evert Rood and the external auditor, 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 serve its members' needs despite the uncertainty in the ever-changing South African healthcare environment.

We wish our members good health for 2009!

Zyda Rylands
Chairperson

April 2009

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2008**

The Board of Trustees hereby presents its report for the year ended 31 December 2008.

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 Trustees

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

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

Physical address

15 Croft Road
Constantia
7806

Postal address

PO Box 50345
Waterfront
8002

1.3 Registered office address

Business address

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

Postal address

Wooltru Healthcare Fund
PO Box 15403
Vlaeberg
8018

Country of registration and domicile: South Africa

1.4 Scheme Administrator: Metropolitan Health Corporate (Pty) Ltd

Business address

Town Square
61 St George's Mall
Cape Town
8001

Postal address

PO Box 4313
Cape Town
8000

Accreditation number: 17

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2008 (continued)**

1. MANAGEMENT (CONTINUED)

1.5 Investment managers: Prescient Investment Management (Pty) Ltd

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

Financial service 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

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

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

Business address	Postal address
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 2008 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.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2008 (continued)**

2. DESCRIPTION OF THE FUND (CONTINUED)

2.3 Risk transfer arrangements (continued)

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 scenes of accident or sudden illness 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 2008.

3. REVIEW OF THE YEAR'S ACTIVITIES

3.1 Operational activities

2008

	Core	Plus	Extended	Total
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
Average accumulated funds per member at 31 December (R)				15,999
Return on investments as a percentage of investments (%)				11.08

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2008 (continued)**

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

3.1 Operational activities (continued)

2007

	Core	Plus	Extended	Total
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
Net contributions per average member per month (R)	797	1,254	2,287	1,353
Net contributions per average 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
Relevant healthcare expenditure per average member per month (R)	676	1,106	2,455	1,249
Relevant healthcare expenditure per average 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
Average administration cost per beneficiary per month (R)				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)				15,869
Return on investments as a percentage of investments (%)				11.82

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.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2008 (continued)**

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

3.3 Accumulated funds ratio	2008	2007
	R	R
The accumulated funds ratio is calculated on the following basis:		
General reserve	128,397,793	130,064,176
HIV reserve	11,768,666	9,663,773
Revaluation reserve	4,250,482	3,125,138
Total members' funds as per balance sheet	144,416,941	142,853,087
Less: Revaluation reserve	(4,250,482)	(3,125,138)
Accumulated funds	140,166,459	139,727,949
Contribution income per income statement	149,492,233	139,675,938
Accumulated funds/gross contribution income x 100	93.76%	100.04%

The accumulated funds ratios for both 2008 and 2007 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 14.

The HIV reserve records funds set aside for the claims related to HIV/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 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 10 to the Annual Financial Statements on page 20.

4. INVESTMENT POLICY OF THE FUND

The Trustees invest 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 portfolio manager to attain international exposure.

**WOOLTRU HEALTHCARE FUND
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2008 (continued)**

4. INVESTMENT POLICY OF THE FUND (CONTINUED)

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.

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 2008, the Extended Option was in a deficit position. The deficit amounted to R493,414 (2007: deficit of R2,356,035) representing 0.3% (2007: 1.6%) of the consolidated contributions of the Fund.

Although the Option shows a net healthcare deficit from operations for 2008, the deficit has been offset by the overall investment growth leading to a surplus for the Fund in the current and prior year. The financial soundness of the Fund is not in doubt.

The net deficit position of R493,414 for the Extended Option in 2008 represents only 1.6% of the Extended Option annual contributions for 2008. The Trustees are thus satisfied that this Option does not need to be restructured and note that future contribution increases will be set to target a net surplus position for the Option in the future.

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:

- 3 April 2008;
- 28 August 2008; and
- 10 November 2008.

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 2008 (continued)**

9. AUDIT COMMITTEE (CONTINUED)

At 31 December 2008, the Audit Committee comprised:

- | | |
|-------------------|-------------------------|
| - Mr E Rood | Chairperson/Independent |
| - Ms N Wulfsohn | Trustee |
| - Mr C Durham | Trustee |
| - Mr D Crisp | Non-trustee |
| - Ms J Pillay | 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 2008 as follows:

- 23 January 2008;
- 16 April 2008;
- 18 July 2008; and
- 22 October 2008.

At 31 December 2008, 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 meet during 2008.

At 31 December 2008, the Disputes Committee comprised:

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

12. BENEFITS COMMITTEE

A Benefits Committee was established during 2008. The Benefits Committee meets quarterly and the responsibility of the Committee is to review proposed new benefits and benefit changes and then advise the Board of Trustees accordingly. The Benefits Committee also acts as a liaison between the employers and the Fund with regard to proposed benefits. The Benefit Committee met on four occasions during 2008 as follows:

- 24 January 2008;
- 17 April 2008;
- 8 August 2008; and
- 19 September 2008.

At 31 December 2008, the Benefits Committee comprised:

- | | |
|--------------------|---------------------|
| - Ms S Malander | Chairperson/Trustee |
| - Mr C du Plessis | Non-trustee |
| - Ms H Drabbe | 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 2008 (continued)**

13. TRUSTEE AND COMMITTEE MEETING ATTENDANCE

The following schedule sets out the Board of Trustees and Committee meeting 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
Number of meetings for the year	5		4		3		4	
Trustees								
Ms S Malander	5	5	4	4			4	3
Mr C Durham	5	4			3	3		
Ms Z Rylands	5	5						
Ms H Drabbe	5	5					4	4
Ms N Wulfsohn	5	4	4	4	3	2		
Mr S Pillay	5	3						
Mr B van Greunen	5	5					4	2
Ms M Sacks	5	3						
Mr P Bazlinton	5	5					4	2
Mr B Tate	5	4						
Other committee members								
Ms J Pillay					2	2		
Mr K Laker					1	0		
Mr D Crisp					3	3		
Mr P Wannenburg			4	4	3	3		
Mr E Rood	1	1			3	3		
Mr G Scott	4	4	4	4			4	4

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.

**WOOLTRU HEALTHCARE FUND
SUMMARISED BALANCE SHEET
as at 31 December 2008**

	Notes	2008 R	2007 R
ASSETS			
Non-current assets			
Available-for-sale investments		95,192,473	108,938,511
Current assets			
Trade and other receivables		3,150,763	1,854,327
Available-for-sale investments		41,312,252	28,337,460
Cash and cash equivalents		13,999,452	15,138,546
Total assets		<u>153,654,940</u>	<u>154,268,844</u>
FUNDS AND LIABILITIES			
Members' funds (refer page 14)			
General reserve		128,397,793	130,064,176
HIV reserve		11,768,666	9,663,773
Revaluation reserve		4,250,482	3,125,138
Current liabilities			
Trade and other payables		1,311,047	5,515,038
Outstanding claims provision	10	7,926,952	5,900,719
Total funds and liabilities		<u>153,654,940</u>	<u>154,268,844</u>

WOOLTRU HEALTHCARE FUND
SUMMARISED INCOME STATEMENT
for the year ended 31 December 2008

	Notes	2008 R	2007 R
Contribution income		149,492,233	139,675,938
Relevant healthcare expenditure		(144,959,893)	(128,962,681)
Net claims incurred	6	(141,933,684)	(126,655,560)
- Claims incurred		(142,425,400)	(126,775,250)
- Third-party claim recoveries		491,716	119,690
Net expense on risk transfer arrangements	7	(3,026,209)	(2,307,121)
- Premiums paid on risk transfer arrangements		(12,190,997)	(11,395,990)
- Recoveries received on risk transfer arrangements		9,164,788	9,088,869
Gross healthcare result		4,532,340	10,713,257
Managed care: Management services		(4,614,980)	(3,852,435)
Administration and other expenses		(16,194,410)	(14,832,067)
Net impairment losses on trade and other receivables		(10,953)	(6,568)
Net healthcare result		(16,288,003)	(7,977,813)
Other income		18,467,453	18,793,536
Investment income	8	15,558,316	11,396,820
Net realised gains on available-for-sale financial assets	9	2,864,854	7,329,022
Sundry income		44,283	67,694
Other expenditure			
Investment management fees		(1,740,940)	(703,213)
Surplus for the year		438,510	10,112,510

WOOLTRU HEALTHCARE FUND
SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2008

	R	R	R	R
	General reserve	Revaluation reserve	HIV reserve	Members' funds
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 revaluation of 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 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 available-for-sale investment	-	3,990,198	-	3,990,198
Realised gain 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 31 December 2008	128,397,793	4,250,482	11,768,666	144,416,941

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/AIDS strategy.

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

**WOOLTRU HEALTHCARE FUND
SUMMARISED CASH FLOW STATEMENT
for the year ended 31 December 2008**

	Notes	2008 R	2007 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		438,510	10,112,510
Adjustments for:			
- Investment income	8	(15,558,316)	(11,396,820)
- Investment management fees		1,740,940	703,213
- Realised gain on derecognition of available-for-sale investments	9	(2,864,854)	(7,329,022)
- Impairment losses		10,953	6,568
		(16,232,767)	(7,903,551)
(Increase)/decrease in trade and other receivables		(1,307,389)	1,144,960
(Decrease)/increase in trade and other payables		(4,203,991)	1,748,516
Increase in outstanding claims provision		2,026,233	48,079
NET CASH FLOW FROM OPERATING ACTIVITIES		(19,717,914)	(4,961,996)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	8	15,558,316	11,396,820
Investment management fees		(1,740,940)	(703,213)
Capitalised interest		(15,386,413)	(10,660,407)
Additions		(109,319,855)	(124,626,417)
Disposals		129,467,712	130,626,417
NET CASH FLOW FROM INVESTING ACTIVITIES		18,578,820	6,033,200
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,139,094)	1,071,204
Cash and cash equivalents at beginning of the year		15,138,546	14,067,342
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		13,999,452	15,138,546

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008

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 and that the Trustees consider should be brought to the attention of the members of the Fund.

3. CONTINGENT LIABILITIES

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees, suretyships or alike at 31 December 2008.

4. AUDITED ANNUAL FINANCIAL STATEMENTS

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

Business address

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

Postal address

Wooltru Healthcare Fund
PO Box 15403
Vlaeberg
8018

5. 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.

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.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

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 one relevant financial year.

Key management personnel

	2008	2007
	R	R
<i>Compensation</i>		
Principal Officer's fees	421,344	395,592
Fund Manager's fees	228,300	214,327
Medical Advisor's fees	328,411	198,618
Trustees' and committee members' remuneration	51,365	50,830
	1,029,420	859,367

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

Income statement

Gross contributions received	332,976	310,038
Claims incurred	153,649	441,963

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

Transaction	Nature of transactions and terms and conditions thereof
Contributions received	This constitutes the contributions in respect of the related parties as members of the Fund, in their individual capacities. 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 2008 (continued)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

	2008	2007
	R	R
<i>Other transactions</i>		
Transactions with entities that have significant influence over the Fund		
Income statement		
Administration fees	13,612,032	12,481,612
Managed care fees and capitation premiums	13,931,283	12,797,121
Investment management fees	1,740,940	703,213
Actuarial consulting fees	333,431	314,558
Balance sheet		
Investment management fees due	606,822	208,770
Actuarial consulting fees due	64,396	26,213
Medical Advisor's fees due	22,736	8,300

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 2008 (continued)

	2008	2007
	R	R
6. NET CLAIMS INCURRED		
Claims incurred, excluding claims incurred in respect of risk transfer arrangements		
Current year claims	126,122,317	111,980,246
Adjustment for current year	7,215,652	5,731,193
- (Over)/under provision in prior years	(228,055)	9,412
- Year-end provision	7,443,707	5,721,781
Less:		
- Discount received on claims	(77,356)	(25,058)
	<u>133,260,613</u>	<u>117,686,381</u>
Claims incurred in respect of risk transfer arrangements		
Current year claims	8,641,991	9,160,061
Adjustment for current year	522,796	(71,192)
- Under/(over) provision in prior years	39,552	(250,130)
- Year end provision	483,244	178,938
	<u>9,164,787</u>	<u>9,088,869</u>
Third-party claim recoveries		
Recoveries from the Road Accident Fund	(491,716)	(119,690)
TOTAL NET CLAIMS INCURRED	<u><u>141,933,684</u></u>	<u><u>126,655,560</u></u>
7. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS		
Premiums paid		
- Qualsa Healthcare (Pty) Ltd	10,007,763	9,263,831
- OneCare Health (Pty) Ltd	1,686,937	1,647,486
- Netcare 911 (Pty) Ltd	496,297	484,673
	<u>12,190,997</u>	<u>11,395,990</u>
Recoveries received	(9,164,788)	(9,088,869)
- Qualsa Healthcare (Pty) Ltd	(7,031,017)	(6,773,565)
- OneCare Health (Pty) Ltd	(1,792,539)	(1,795,177)
- Netcare 911 (Pty) Ltd	(341,232)	(520,127)
	<u>3,026,209</u>	<u>2,307,121</u>

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)

7. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS (CONTINUED)

Overview of terms and conditions of risk transfer agreements:

The Fund again entered into a risk transfer arrangement with Qualsa Healthcare (Pty) Ltd during 2008. In exchange for a monthly premium, Qualsa undertook to meet the cost of providing chronic medication benefits for all beneficiaries registered on the Fund.

The Fund entered into a risk transfer arrangement with OneCare Health (Pty) Ltd. 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 the scenes of accidents or sudden illness for all beneficiaries of the Fund.

	2008	2007
	R	R
8. INVESTMENT INCOME		
Available-for-sale financial assets investment income	14,725,440	10,773,299
Cash and cash equivalents interest income	832,876	623,521
	<u>15,558,316</u>	<u>11,396,820</u>
9. NET REALISED GAINS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Realised gain on available-for-sale financial assets	4,822,974	13,830,781
- Equity derivatives	4,814,520	13,829,652
- Money market instruments	8,454	1,129
Realised losses on available-for-sale financial assets	(1,958,120)	(6,501,759)
Equity derivatives	(1,957,885)	(6,500,000)
Money market instruments	(235)	(1,759)
	<u>2,864,854</u>	<u>7,329,022</u>
10. OUTSTANDING CLAIMS PROVISION		
	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
2008		
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

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)

	2008 R	2007 R
10. OUTSTANDING CLAIMS PROVISION (CONTINUED)		
	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
2008		
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	<u>483,244</u>	-
Balance at end of year	<u><u>483,244</u></u>	<u><u>7,443,708</u></u>
Total outstanding claims provision at end of year		<u><u>7,926,952</u></u>
2007		
Outstanding claims provision	178,938	5,721,781
Provision arising from liability adequacy test	-	-
	<u>178,938</u>	<u>5,721,781</u>
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	343,366	5,509,274
Payments in respect of prior year	<u>(93,236)</u>	<u>(5,518,488)</u>
Over/(under) provision in respect of prior year	250,130	(9,214)
Adjustment for current year	<u>(71,192)</u>	<u>5,730,995</u>
Balance at end of year	<u><u>178,938</u></u>	<u><u>5,721,781</u></u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	-	5,721,781
Outstanding claims provision relating to risk transfer arrangements	<u>178,938</u>	<u>5,721,781</u>
Balance at end of year	<u><u>178,938</u></u>	<u><u>-</u></u>
Total outstanding claims provision at end of year		<u><u>5,900,719</u></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. 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.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)

10. OUTSTANDING CLAIMS PROVISION (CONTINUED)

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. Runoff 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:

Process used to determine the assumptions (continued)

- 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 runoff 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:

	2008	2007
Claims outstanding for:	%	%
December	8%	11%
November	3%	4%
October	1%	2%
September	1%	1%
August and prior	0%	0%

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)

10. OUTSTANDING CLAIMS PROVISION (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 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.

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

	Change in liability 2008 R	Change in liability 2007 R
Effect of a 1 percentage point change in assumed percentage	540,407	483,547
Effect of a 2 percentage point change in assumed percentage	1,016,814	977,420
Effect of a 3 percentage point change in assumed percentage	1,578,731	1,481,910

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 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 S33(2) - option not financially sound

As at 31 December 2008, the Extended Option was in a deficit position. The deficit amounted to R493,414 (2007: deficit of R2,356,035) representing 0.3% of the consolidated contributions of the Fund.

Although the Option shows a net healthcare deficit from operations for 2008, the deficit has been offset by the overall investment growth leading to a surplus for the Fund in the current and prior year. The financial soundness of the Fund is not in doubt.

The net deficit position for the Extended Option in 2008 of R493,414 represents only 1.6% of the Extended Option annual contributions for 2008. The Trustees are thus satisfied that this Option does not need to be restructured and note that future contribution increases will be set to target a net surplus position for the Option in the future.

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (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.

2008	CORE	PLUS	EXTENDED	TOTAL
Contributions	7,155,931	110,824,834	31,511,468	149,492,233
Relevant healthcare expenditure	(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)
Gross healthcare result	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)
Net healthcare result	(700,311)	(13,034,306)	(2,553,386)	(16,288,003)
Other income	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
Other expenditure				
- Investment management fees	(141,147)	(1,385,386)	(214,407)	(1,740,940)
Surplus/(deficit) for the year	655,789	276,135	(493,414)	438,510

WOOLTRU HEALTHCARE FUND
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)

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

2007	CORE	PLUS	EXTENDED	TOTAL
Contributions	6,945,716	101,327,556	31,402,666	139,675,938
Relevant healthcare expenditure	(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)/income on risk transfer arrangements	(491,828)	(3,474,912)	1,659,619	(2,307,121)
Gross healthcare result	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)
Net healthcare result	(453,573)	(2,762,890)	(4,761,350)	(7,977,813)
Other income	1,585,787	14,708,934	2,498,815	18,793,536
- Investment income	961,656	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
Other expenditure				
- Investment management fees	(59,337)	(550,376)	(93,500)	(703,213)
Surplus/(deficit) for the year	1,072,877	11,395,668	(2,356,035)	10,112,510

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.

