

NOTICE IS HEREBY GIVEN THAT THE FOURTEENTH ANNUAL GENERAL MEETING OF



WILL BE HELD ON WEDNESDAY, 26 MAY 2010, AT 09H30 IN THE J B SUTHERLAND ROOM,
AFROX HOUSE, 23 WEBBER STREET, SELBY, JOHANNESBURG.

AGENDA

1. To read the Notice convening the Annual General Meeting.
2. To adopt the Minutes of the Annual General Meeting held on Thursday, 11 June 2009.
3. To adopt the Annual Report of the Board for the year ended 31 December 2009.
4. To adopt the Annual Financial Statements for the year ended 31 December 2009.
5. To re-appoint Advocate Buirski as the Disputes Committee.
6. To appoint the Auditors for the ensuing year.
7. Consideration of the closure of the Afrox Medical Aid Society Diamond Plan.
8. To transact any other business of which due notice has been given by Wednesday, 12 May 2010.

By order of the Board

A handwritten signature in black ink, appearing to read "Michael Rowell", is written over a horizontal line.

Michael Rowell
PRINCIPAL OFFICER

REVIEW BY THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2009

OVERVIEW

MEDICAL SCHEMES INDUSTRY

Discussion regarding National Health Insurance (NHI) tended to dominate debate in the medical scheme industry during 2009. NHI was considered one of the 10 key priorities of the health sector's Programme of Action to be implemented over the next five years.

NHI is based on the key principles of the right to health, social solidarity and universal coverage of all and is expected to be funded partly by compulsory contributions by all individuals who earn an income and partly by Government raising additional taxes. The intention would be for these funds to be placed in a single pool to fund both the public and private healthcare sectors.

Notwithstanding the proposed introduction of the NHI, it must be noted that this is only one of 10 items on the Government's Programme of Action for health. Strategically, the Government will focus on the development of health leadership to produce the necessary social changes required for the health system in South Africa. Other obstacles that have been identified to overcome would include the upgrading of public health facilities to acceptable levels, establishing the required funding levels to sustain NHI, and identifying the source of the funding and setting up a credible administration to manage NHI amongst others.

The Risk Equalisation Fund (REF), from which funds with more risk in the industry will benefit from a pool of contributions to which all medical schemes will participate, was expected to commence operating during 2010. However, whilst your Society continues to produce statistics for the Council for Medical Schemes (CMS) on a quarterly basis, a formal date for implementation has yet to be communicated to the industry.

Prescribed Minimum Benefits (PMBs) were introduced in 2000. The Medical Schemes Act 131 of 1998 makes provision for a minimum set of benefits, which all medical schemes must cover. Medical schemes may not exclude members or prevent them from accessing relevant benefits and entitlements relating to diagnosis, treatment and care of PMB conditions. All medical schemes are required to provide cover for 270 PMB conditions, of which 26 are chronic conditions.

The Society's PMB programme is managed by Qualsa Healthcare (Pty) Ltd. Chronic conditions require periodic monitoring to ensure that the recommended programme is successful.

The CMS is in the process of establishing a task team that will work in collaboration with the Minister of Health to reach an understanding on how medical schemes should reconcile the apparent differences in the interpretation of regulations in relation to the Medical Schemes Act with respect to PMBs.

AFROX MEDICAL AID SOCIETY

Membership

Membership totals at 31 December 2009:

	Base Plan	Diamond Plan	Society
Members	3,157	119	3,276
Dependants	4,234	48	4,282
TOTAL	7,391	167	7,558

Reserves

The required minimum reserve ratio for a medical scheme is 25% as set by the Council for Medical Schemes. The Afrox Medical Aid Society reported a year end reserve ratio of 141.11%. Application of reserves for the benefit of the Society or its members is limited by the Medical Schemes Act. The Medical Schemes Act requires that options within a scheme must at least break even on an annual basis from contributions received and benefits paid.

Benefits

The Trustees reviewed the current benefits and agreed not to reduce any of the major expense benefits. The day-to-day limit and all other benefit limits were increased for 2009.

Consideration of the closure of the Afrox Medical Aid Society Diamond Plan

Membership of the Diamond Plan has reduced to 167, with 119 principal members and 48 dependants. In December 2009 the Council for Medical Schemes (CMS) advised the Society that it was in contravention of the Medical Schemes Act of 1998. The Society is considered too small in terms of the number of total membership to offer more than one plan to its members.

The Board of Trustees (BOT) have been concerned that failure to address this situation could jeopardise the entire Society. As the Council has repeatedly questioned the continued existence of the Diamond Plan due to it being unsustainable going forward, the BOT is of the view that the Diamond Plan should be closed at the end of the current benefit year, and asked that members consider accepting such recommendation. All the principal members and their dependants on the Diamond Plan would be eligible for membership of the Base Plan and would accordingly then be transferred to the Base Plan.

A comparison between the Diamond Plan and Base Plan benefits for 2010 was communicated to Diamond Plan members in the 2010 benefit edition newsletter in December 2009. Should members wish to see this communication, a copy is available on the Society's website at www.afroxmed.co.za or by following the url:

[http://www.afroxmed.co.za/Files/\(121200934719%20PM\)%20Afrox%20Diamond%20Plan%202010%20Benefits%20Newsletter%201%20Dec%202009.pdf](http://www.afroxmed.co.za/Files/(121200934719%20PM)%20Afrox%20Diamond%20Plan%202010%20Benefits%20Newsletter%201%20Dec%202009.pdf)

Alternatively, please contact the Administrator, who will forward an additional copy to you.

Based on the recent 15% adjustment to the Diamond Plan contribution rates, which was necessitated by the increased cost of continuing with the Diamond Plan, the contribution rates for the Diamond Plan, including the employer subsidy, exceeds that of the Base Plan rates by on average 81% per principal member.

Based on the highlighted differences between the Diamond Plan and Base Plan, we call on members to consider the approval of a resolution to close the Diamond Plan. This proposal will be presented at the Annual General Meeting (AGM) on Wednesday, 26 May 2010, as a special resolution. Accordingly, we request all members to consider and vote at the AGM on whether the Society should proceed to close the Diamond Plan with effect from 31 December 2010.

We trust that members will consider this proposal, taking into account the serious consequences that may arise should the Society fail to make the necessary amendment to the plans.

FINANCIAL OVERVIEW

Accumulated Funds

A surplus of R24,497,563 was accumulated during the year after taking into account:

- income from investments of R30,337,358 and
- an operating deficit of R5,556,648 after deducting all expenses.

The accumulated funds as at 31 December 2009 were R114,878,507.

The increase in reserves over 2009 meant that the Society exceeded the minimum requirement of 25% set by the Council for Medical Schemes by reporting a year-end reserve ratio of 141.11%.

Risk Contribution Income

2009	R81,409,968
2008	R70,215,468

Benefit Expenditure

2009	R78,618,136
2008	R66,562,603

Expenditure

Administration	2009	R7,146,572
	2008	R6,067,311
Managed Care	2009	R1,202,051
	2008	R1,037,446

Annual Comparisons

	2009	2008	2007
Managed care per member per month	R31	R27	R25
Administration cost per member per month	R174	R155	R138

Membership

Membership of the Society, which includes main members and dependants, decreased from 8,003 beneficiaries in 2008 to 7,558 in 2009.

	December 2009	December 2008
Total membership (beneficiaries)	7,558	8,003
Principal members	3,276	3,457
Dependants	4,282	4,546
Average number of dependants per principal member	1.31	1.32

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2009

The Summarised Annual Financial Statements are a summary of the Annual Audited Financial Statements and as such are presented in less detail than the Audited Financial Statements. For a better understanding of the Afrox Medical Aid Society's financial position and results of its operations, the summarised financial information should be read in conjunction with the Society's Audited Financial Statements for the corresponding period, which include all disclosures required by the relevant financial reporting framework. A complete set of the Annual Financial Statements is available on written request from the Society at the registered postal address.

REPORT OF THE BOARD OF TRUSTEES

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

Registration Number: 1567

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

Afrox Medical Aid Society is a not for profit restricted medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended. Membership of the Scheme is open to all current and retired employees of African Oxygen Limited and its subsidiaries.

1.2 Benefit options within the Afrox Medical Aid Society

The medical scheme offers two benefit options to employees. These are:

- Base Plan
- Diamond Plan

The Scheme benefits are all of an insured (risk) nature and no savings plans were in place in the 2009 year.

1.3 Risk transfer arrangements

The Scheme has entered into a capitation agreement with Netcare 911 to provide ambulance services for the duration of the year. Details on risk transfer arrangements are given in note 6 of the Summarised Annual Financial Statements.

2. MANAGEMENT

2.1 Board of Trustees in office during the year under review

C van Zyl	Employer trustee	(Chairperson)
M Erasmus	Employer trustee	
L Mosiah	Employer trustee	(Appointed January 2009)
A van den Heever	Member trustee	
A Cameron	Member trustee	(Resigned June 2009)
K Bonynge	Member trustee	
T Taylor	Member trustee	
E Gardiner	Member trustee	(Appointed June 2009)
M Ngobeni	Employer trustee	

**AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2009**

REPORT OF THE BOARD OF TRUSTEES (continued)

2. MANAGEMENT (continued)

2.2 Principal Officer

M Rowell	PO Box 5404
African Oxygen Limited	Johannesburg
Afrox House	2000
23 Webber Street	
Selby	
Johannesburg	
2001	

2.3 Registered office address and postal address

Metropolitan Health Corporate (Pty) Ltd	PO Box 31391
101 De Korte Street	Braamfontein
Braamfontein	2017
2001	

2.4 Medical Scheme Administrator during the year

Metropolitan Health Corporate (Pty) Ltd	PO Box 31391
101 De Korte Street	Braamfontein
Braamfontein	2017
2001	

Council for Medical Schemes accreditation number: 17

2.5 Investment managers/advisors during the year

Investment Solutions Limited	PO Box 786055
Investment Solutions Office Park	Sandton
63 Wierda Road East	2146
Wierda Valley	
2196	

Financial services provider license number: 711

Prescient Investment Management Company Limited	PO Box 31142
Steenberg Office Park	Tokai
Cape Town	7966
7945	

Financial services provider license number: 612

2.6 Actuaries

Alexander Forbes Financial Services (Pty) Ltd	PO Box 787240
61 Katherine Street	Sandton
Sandown	2146
2196	

AFROX MEDICAL AID SOCIETY
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REPORT OF THE BOARD OF TRUSTEES (continued)

2. MANAGEMENT (continued)

2.7 Auditors

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill
2157

Private Bag X36
Sunninghill
2157

3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME

The Scheme's investment objective is to maximise the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees (BOT). The nature of the investments held indicates that the Scheme does not anticipate requiring funds on an ongoing basis.

The investment committee met on three occasions during 2009. The mandate of the investment committee is to ensure that:

- the Scheme remains liquid
- investments are placed at minimum risk at the best possible rate of return
- investments made are in compliance with regulations of the Act and
- a risk assessment is performed with feedback to the BOT with recommendations on the risks identified.

The Scheme invested in fixed deposits, bonds, equities, property and cash instruments during 2009. This policy is reviewed annually, taking into consideration compliance with the Act, the risk and returns of the various investment instruments and the surplus of funds available.

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
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REPORT OF THE BOARD OF TRUSTEES (continued)

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES

4.1 Operational statistics

	Diamond Plan	Base Plan	2009 Total Scheme
Number of members at the end of the accounting period	119	3,157	3,276
Number of new members	-	313	313
Number of members leaving Scheme	67	425	492
Average number of members for the accounting period	141	3,274	3,436
Average number of beneficiaries for the accounting period	202	7,684	7,938
Average age of beneficiaries for the accounting period	71.48	30.27	31.35
Pensioner ratio (continuation beneficiaries > 65 years)	66.83%	3.87%	5.48%
Average net contributions per member per month (R)	3,666	1,914	1,986
Average net contributions per beneficiary per month (R)	2,559	816	860
Average claims incurred per member per month (R)	3,560	1,859	1,929
Average claims incurred per beneficiary per month (R)	2,485	792	836
Average administration costs per member per month (R)	322	168	174
Average administration cost per beneficiary per month (R)	225	72	76
Average managed care: Management services per member per month (R)	54	28	31
Average accumulated funds per member at 31 December (R)	N/A	N/A	2,803
Dependant ratio to members at 31 December	0.4	1.3	1.3
Net claims as a percentage of net contributions	96.6%	96.6%	96.6%
Non-health expenses as a percentage of gross contributions	10%	10%	10%
Managed care: Management services as a percentage of net contributions	1.48%	1.48%	1.48%
Administration expenses as a percentage of net contributions	8.78%	8.78%	8.78%
Chronic profile (beneficiaries)	60.29%	12.10%	13.33%

AFROX MEDICAL AID SOCIETY
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REPORT OF THE BOARD OF TRUSTEES (continued)

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)

4.1 Operational statistics (continued)

	Diamond Plan	Base Plan	2008 Total Scheme
Number of members at the end of the accounting period	186	3,271	3,456
Number of new members	-	637	637
Number of members leaving Scheme	14	366	380
Average number of members for the accounting period	190	3,065	3,255
Average number of beneficiaries for the accounting period	275	7,425	7,700
Average age of beneficiaries for the accounting period	70.51	29.6	31.1
Pensioner ratio (continuation beneficiaries > 65 years)	81.3%	4.4%	7.2%
Average net contributions per member per month (R)	3,175	1,712	1,797
Average net contributions per beneficiary per month (R)	2,194	707	760
Average claims incurred per member per month (R)	4,188	1,568	1,721
Average claims incurred per beneficiary per month (R)	2,893	647	727
Average administration costs per member per month (R)	153	155	155
Average administration cost per beneficiary per month (R)	106	64	66
Average managed care: Management services per member per month (R)	26	27	27
Average accumulated funds per member at 31 December (R)	N/A	N/A	2,314
Dependant ratio to members at 31 December	0.4	1.4	1.3
Net claims as a percentage of net contributions	131.6%	90.6%	95.7%
Non-health expenses as a percentage of gross contributions	5.65%	10.63%	10.10%
Managed care: Management services as a percentage of net contributions	0.83%	1.55%	1.50%
Administration expenses as a percentage of net contributions	4.82%	9.08%	8.60%
Chronic profile (beneficiaries)	77.9%	37.9%	39.3%

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REPORT OF THE BOARD OF TRUSTEES (continued)

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)

4.2 Results of operations

The results of the medical scheme are set out in the Summarised Annual Financial Statements, and the Trustees believe that no further clarification is required.

4.3 Solvency ratio

	2009	2008
	R	R
Total members' funds per statement of financial position	115,023,880	106,989,102
Less:		
Revaluation reserve		
Cumulative net gains on re-measurement to fair value of financial instruments included in the accumulated funds **	(145,373)	(16,608,158)
Accumulated funds per regulation 29	114,878,507	90,380,944
Gross contributions	81,409,968	70,215,468
** Cumulative net gains on re-measurement to fair value are calculated as follows:		
Solvency ratio (excluding unrealised gains on investments reserve)	141.11%	128.72%
Solvency ratio (including unrealised gains on investments reserve)	141.29%	152.37%
Net cumulative gains opening balance at the beginning of the year	16,608,158	16,057,863
Movement in unrealised gains on re-measurement to fair value of available-for-sale financial assets	6,233,213	550,295
Realised gain on the disposal of available-for-sale financial assets	(22,695,998)	-
Cumulative net gain on re-measurement to fair value of available-for-sale financial assets	145,373	16,608,158

4.4 Reserve accounts

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the medical scheme.

4.5 Outstanding claims provision

Movements in the outstanding claims provision are set out in note 3 to the Summarised Annual Financial Statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the medical scheme.

AFROX MEDICAL AID SOCIETY
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For the year ended 31 December 2009

REPORT OF THE BOARD OF TRUSTEES (continued)

5. ACTUARIAL SERVICES

The Scheme's actuaries have been consulted in the determination of the contribution and benefit levels.

6. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

There have been no post statement of financial position events that affect the Summarised Annual Financial Statements.

7. INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE MEDICAL SCHEME AND TO OTHER RELATED PARTIES

The medical scheme holds no investments in participating employers of medical scheme members. Metropolitan Health Corporate (Pty) Ltd (MHC) and Qualsa Healthcare (Pty) Ltd (Qualsa), which are the contracted administrator and managed care provider of the medical scheme, have a significant influence on the management and operation of the medical scheme. Payments made in terms of the administration and managed care agreements, during the 2009 financial year, were as follows:

Administration fees for medical scheme (MHC)	R5,866,162
Managed care (Qualsa)	R655,773
HIV/AIDS management (Aid for AIDS)	R148,350
Pharmacy benefit management (MediKredit)	R288,488
Drug Utilisation Review (Direct Medicines)	R109,440
African Oxygen Limited (Human Resources services)	R130,827

8. AUDIT COMMITTEE

An audit committee was established in accordance with the provisions of the Act. The committee is mandated by the Board of Trustees (BOT) by means of written terms of reference as to its membership, authority and duties. The committee consists of five members of which two are members of the BOT. Three of the five members are non-Trustees. The committee met on two occasions during the course of the year and these meetings were attended by a majority of committee members. Refer to paragraph 10 of the report of the BOT.

The Principal Officer of the medical scheme, the financial manager, and the external auditors attend all audit committee meetings and have unrestricted access to the Chairman of the committee. In accordance with the provisions of the Act, the primary responsibility of the committee is to assist the BOT in carrying out its duties relating to the medical scheme's accounting policies, internal control systems and financial reporting practices. The external auditors formally report to the committee on critical findings arising from audit activities.

**AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2009**

REPORT OF THE BOARD OF TRUSTEES (continued)

8. AUDIT COMMITTEE (continued)

The committee presently comprises:

R Clarke (Chairperson)	(Resigned September 2009)
C van Zyl	
M White	(Resigned April 2009)
M Erasmus	
M Rowell (Principal Officer)	By invitation
C Booyens	(Appointed January 2009)
J Narayadoo (Chairperson)	(Appointed August 2009)

9. INVESTMENT COMMITTEE

An investment committee was established and is mandated by the Board of Trustees (BOT) by means of written terms of reference as to its membership, authority and duties. This committee consists of two members of the BOT and the Principal Officer. The committee met on three occasions during the course of the year and these meetings were attended by all members. The Principal Officer of the medical scheme attends all investment committee meetings by invitation.

The primary responsibility of the committee is to assist the BOT in carrying out its duties relating to the investment policy of the Scheme.

The committee presently comprises:

C van Zyl	(Chairman and Trustee)
M Erasmus	(Trustee)
M Rowell	(Principal Officer) by invitation
G Schnackenberg	(Non-Trustee)
K Bonyngé	(Trustee)

**AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
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REPORT OF THE BOARD OF TRUSTEES (continued)

10. TRUSTEE MEETING ATTENDANCE AND REMUNERATION

The following schedule sets out Board of Trustees meeting attendances and attendances by members of Board sub-committees. No Trustee remuneration was paid during the year.

	Board meetings	Audit Committee meetings	Investment Committee meetings
Number of meetings for the year	5	2	4
Trustees/sub-committee members			
C van Zyl (Chairman)	5	2	4
M Erasmus	5	2	4
L Mosiah (Appointed January 2009)	5	-	-
M Ngobeni	3	-	-
A van den Heever	3	-	-
A Cameron (Resigned June 2009)	3	-	-
K Bonyngé	3	-	3
T Taylor	4	-	-
E Gardiner (Appointed June 2009)	2	-	-
Sub-committee members (Non-Trustee)			
R Clarke (Resigned September 2009)	-	1	-
J Narayadoo (Appointed August 2009)	-	1	-
M White (Resigned April 2009)	-	1	-
C Booyens (Appointed January 2009)	-	2	-
G Schnackenberg (Appointed September 2009)	-	-	1
Principal Officer			
M Rowell (Principal Officer)	5	2	4

AFROX MEDICAL AID SOCIETY
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REPORT OF THE BOARD OF TRUSTEES (continued)

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

The following areas of non-compliance with the Medical Schemes Act and regulations occurred:

- Section 26(7) of the Act requires that, "All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due". Not all contributions are received within this allowed time frame.

The anomaly existed for January 2010 when, in lieu of Friday, 1 January 2010 being a public holiday, there were no staff of the employer company working over the period of non-compliance who were in a position to release payments to the Scheme. Notwithstanding, on the first available day thereafter, the payment was released to the Scheme.

There was no adverse effect to the Scheme.

- The Base Plan and Diamond Plan benefit options incurred operating deficits during the year as set out in note 5 of the Summarised Annual Financial Statements. In terms of section 33(2) of the Act, each option shall be self-supporting in terms of membership and financial performance and be financially sound.

As the Scheme has more than adequate reserves, as required of the solvency ratio in terms of the Medical Schemes Act, the Trustees have a deliberate strategy to resist major contribution adjustments by releasing investment earnings to offset a potential deficit for the year.

As the solvency ratio excluding unrealised gains on investment reserves at statement of financial position date was 141.11%, the Board of Trustees was comfortable that the Scheme would remain compliant with the minimum solvency ratio prescribed by the Medical Schemes Act, notwithstanding the existence of an operating deficit during the course of the year.

- The Scheme has invested in a pooled fund that comprises various underlying assets. The Medical Schemes Act stipulates that a medical scheme is not permitted to invest in foreign entities. The pooled fund however includes an equity investment in a foreign entity, British American Tobacco Plc, resulting from the unbundling of Remgro and Richemont. These shares have been classified as "foreign shares" by the South African Reserve Bank. The value of these shares at the end of November 2009 was R843,540. The Scheme disinvested the pooled fund during December 2009. The matter therefore represents compliance during the course of the 2009 benefit year.

Once the Scheme became aware of the non-compliance of it investing into investments in a foreign entity occasioned by the unbundling of Remgro and Richemont, it approached the Council for Medical Schemes to request a reasonable period to allow it to rectify the position. The Scheme has now taken the opportunity to disinvest from the Investment Solutions policy and invest its funds into a Regulation 29 compliant fund managed by Prescient Investment Management Company Limited to avoid potentially exposing itself to non-compliant investments in the future.

By affording the Scheme time to exit the investment in Investment Solutions Limited the Scheme was able to do so in a responsible manner, thus reducing the negative impact of an untimely exit from the policy.

**AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2009**

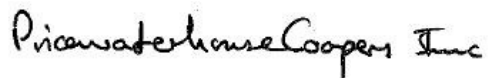
**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF AFROX MEDICAL AID SOCIETY**

We have audited the Annual Financial Statements of Afrox Medical Aid Society 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 16 April 2010, we expressed an unqualified opinion on the financial statements from which the summarised financial statements are derived.

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

For a better understanding of the Scheme'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 Annual Financial Statements from which the summarised financial statements were derived and our audit report on those Annual Financial Statements.



PricewaterhouseCoopers Inc.
Director: Leon de Wet
Registered Auditor
Johannesburg
16 April 2010

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2009

STATEMENT OF FINANCIAL POSITION
as at 31 December 2009

	Notes	2009 R	2008 R
ASSETS			
Non-current assets			
Available-for-sale financial assets	2	110,762,791	87,974,001
		110,762,791	87,974,001
Current assets			
Trade and other receivables		7,998,733	22,909,852
Cash and cash equivalents		5,716,023	6,124,910
		2,282,710	16,784,942
Total assets		118,761,524	110,883,853
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		115,023,880	106,989,102
Available-for-sale reserve		114,878,507	90,380,944
		145,373	16,608,158
Current liabilities			
Outstanding claims provision	3	3,737,644	3,894,751
Trade and other payables		2,432,649	3,018,261
		1,304,995	876,490
Total funds and liabilities		118,761,524	110,883,853

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
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STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Notes	2009 R	2008 R
Net contribution income	4	81,409,968	70,215,468
Relevant healthcare expenditure		(78,618,136)	(66,562,603)
Net claims incurred		(78,613,404)	(66,561,738)
Claims incurred		(79,067,738)	(67,217,126)
Third party claim recoveries		454,334	655,388
Net expense on risk transfer arrangements		(4,732)	(865)
Risk transfer arrangement fees paid		(352,896)	(288,459)
Recoveries from risk transfer arrangements		348,164	287,594
Gross healthcare result		2,791,832	3,652,865
Managed care: management services		(1,202,051)	(1,037,446)
Administration expenses		(7,146,572)	(6,067,311)
Net impairment reversals on healthcare receivables		143	97,114
Net healthcare result		(5,556,648)	(3,354,778)
Other income		30,436,798	10,362,861
Investment income		30,337,358	10,063,478
Sundry income		99,440	299,383
Other expenditure		(382,587)	(386,169)
Asset management expenses		(382,587)	(386,169)
Net surplus for the year		24,497,563	6,621,914
Other comprehensive income		(16,462,785)	550,295
Unrealised gain on revaluation of available-for-sale financial assets		6,233,213	550,295
Realised gain on disposal of available-for-sale financial assets		(22,695,998)	-
Total comprehensive income for the year		8,034,778	7,172,209

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For the year ended 31 December 2009

STATEMENT OF CHANGES IN FUNDS AND RESERVES
For the year ended 31 December 2009

	Accumulated funds R	Available-for-sale reserve R	Total members fund R
Balance at 1 January 2008	83,759,030	16,057,863	99,816,893
Comprehensive income			
Net surplus for the year	6,621,914	-	6,621,914
Other comprehensive income			
Unrealised gain on revaluation of available-for-sale financial assets	-	550,295	550,295
Total comprehensive income	6,621,914	550,295	7,172,209
Balance at 31 December 2008	90,380,944	16,608,158	106,989,102
Balance at 1 January 2009	90,380,944	16,608,158	106,989,102
Comprehensive income			
Net surplus for the year	24,497,563	-	24,497,563
Other comprehensive income			
Unrealised gain on revaluation of available-for-sale financial assets	-	6,233,213	6,233,213
Realised gain on disposal of available-for-sale financial assets	-	(22,695,998)	(22,695,998)
Total comprehensive income	24,497,563	(16,462,785)	8,034,778
Balance as at 31 December 2009	114,878,507	145,373	115,023,880

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STATEMENT OF CASH FLOWS
For the year ended 31 December 2009

	2009	2008
	R	R
Cash flows from operating activities		
Cash flows utilised in operations before working capital changes	(5,835,206)	(3,537,813)
Working capital changes		
- Decrease/(Increase) in trade and other receivables	404,298	(786,821)
- Increase/(Decrease) in trade and other payables	428,505	(2,043,149)
- (Decrease)/Increase in outstanding claims provision	(585,612)	277,138
	(5,588,015)	(6,090,645)
Cash utilised in operations	(5,588,015)	(6,090,645)
Purchase of available-for-sale financial assets	(152,271,831)	(87,764,519)
Proceeds on disinvestment of available-for-sale financial assets	113,020,256	83,817,289
Investment income	30,337,358	10,063,478
	(14,502,232)	25,603
Net (decrease)/increase in cash and cash equivalents	(14,502,232)	25,603
Cash and cash equivalents at beginning of year	16,784,942	16,759,339
	2,282,710	16,784,942
Cash and cash equivalents at end of year	2,282,710	16,784,942

AFROX MEDICAL AID SOCIETY
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For the year ended 31 December 2009

SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2009

1. PRINCIPAL ACCOUNTING POLICIES

The Financial Statements of Afrox Medical Aid Society have been prepared in accordance with International Financial Reporting Standards (IFRS). The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets. These policies have been consistently applied to all the years presented.

1.1 Risk transfer arrangements

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis.

Risk transfer premiums and benefits reimbursed are presented in the statement of comprehensive income and statement of financial position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Claims recoveries relating to risk transfer arrangements are calculated on the basis of an actuarial calculation which is based on industry-wide data and takes into consideration inflation increases, the Scheme's member ageing and hospital risk management trends.

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

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

2. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009	2008
	R	R
Fair value at beginning of year	87,974,001	83,476,476
Additions	152,271,831	87,764,519
Proceeds on disinvestments of available-for-sale financial assets	(113,020,256)	(83,817,289)
Realised gain on disposal of available-for-sale financial assets	(22,695,998)	-
Unrealised gains on revaluation	6,233,213	550,295
Fair value at end of year	110,762,791	87,974,001
 Non-current	 110,762,791	 87,974,001

AFROX MEDICAL AID SOCIETY
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For the year ended 31 December 2009

SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

2. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

The quoted investments (valued with reference to an active market) included on page 20 represent investments held in a policy of insurance and unit trusts with Prescient Investment Management Company Limited. The available-for-sale financial assets comprise:

	2009	2008
	R	R
Equity	-	30,255,763
Cash	945,364	55,275,813
Bonds	4,477,004	2,442,425
Money market	105,340,423	-
	110,762,791	87,974,001

The investments have no fixed maturity. The fair values of available-for-sale financial assets are based on the market value as at 31 December 2009. The cash component earned interest at an effective rate of 7.88% per annum (2008: 13.2%).

The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as available-for-sale. None of the financial assets are either past due or impaired. A register of investments is available for inspection at the registered offices of the Scheme and the investment manager.

3. OUTSTANDING CLAIMS PROVISION

Provision for outstanding claims incurred but not yet reported	2,432,649	3,018,261
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Analysis of movements in outstanding claims

Balance at the beginning of the year	3,018,261	2,741,123
Payments in respect of prior year	(3,076,619)	(2,810,920)
Under provision in prior year	(58,358)	(69,797)
Adjustment for current year	2,491,007	3,088,058
Balance at end of year	2,432,649	3,018,261

Analysis of outstanding claims provision

Estimated gross claims	2,432,649	3,018,261
	2,432,649	3,018,261

**AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2009**

**SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009**

3. OUTSTANDING CLAIMS PROVISION (continued)

Process used to determine the assumptions

The provision is calculated as expected ultimate claims less the actual paid claims as at the year end. For year end purposes, the expected ultimate claims are estimated by considering the actual claims paid as at 15 March 2010, in respect of the 2009 financial year, and extrapolating these paid claims to 30 April 2010 (four months after the end of the financial year, corresponding to the maximum period of time, of four months, during which claims have to be notified to the Scheme as per the Scheme Rules). The percentage of total claims in respect of the 2009 financial year expected to have been paid by 15 March 2010 was 95.87% (2008: 91.4%).

The actual method or blend of methods used may vary each year due to factors relevant to that year. 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 submission procedures)
- economic, legal, political and social trends (resulting in different than expected levels of inflation and/or minimum and/or maximum levels of medical benefit to be provided) and
- changes in composition of members and their dependants.

The impact of the risk transfer arrangement on the provision has been assessed and found to be immaterial.

Assumptions

The assumption that has the greatest effect on the measurement of the outstanding claims provision is the proportion of claims paid three months after the year end (as at 15 March 2010) when expressed as a percentage of the expected total claim payments in respect of the full year for which the outstanding claims provision is being estimated, based on historical claims development information.

An analysis of sensitivity of the various estimation techniques and variables for the determination of the claims provision provides an indication of the adequacy of the Scheme's estimation process. The Trustees believe 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. Even though a significant proportion of the claims relating to the financial year have already been processed, the Trustees consider the most significant variable to be the pattern of claims submission. Should the assumptions made regarding claims still to be paid vary by 5% (i.e. assuming March 2010 claims represent 90.87%, instead of 95.87% of claims relating to 2009) the effect will be:

	%	2009
	Change	R
Claims provision	5	2,566,502
Surplus for the year based on the above impact		24,363,710
Reserves for the year based on the above impact		114,744,654

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SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

	2009	2008
	R	R
4. NET CONTRIBUTION INCOME		
Gross contributions	81,409,968	70,215,468

5. LOSS FROM OPERATIONS PER BENEFIT OPTION

For management purposes the Scheme is organised into two benefit options, the Diamond Plan and the Base Plan. Administration and other expenses are allocated to the options on the basis of contribution income.

Base Plan – 3,157 members (2008: 3,271 members)

	2009	2008
	R	R

Net contribution income	75,207,187	62,975,542
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Relevant healthcare expenditure	(72,628,070)	(57,034,254)
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Net claims incurred	(72,623,699)	(57,033,426)
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Claims incurred	(73,043,416)	(57,669,115)
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Third party claim recoveries	419,717	635,689
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Net expense on risk transfer arrangements	(4,371)	(828)
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Risk transfer arrangement fees paid	(326,008)	(275,994)
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Recoveries from risk transfer arrangements	321,637	275,166
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Gross healthcare result	2,579,117	5,941,288
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Managed care: management services	(1,110,464)	(977,270)
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Administration expenses	(6,602,061)	(5,718,304)
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Net impairment reversals/(losses) on healthcare receivables	132	90,330
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Net healthcare result	(5,133,276)	(663,956)
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AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2009

SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

5. LOSS FROM OPERATIONS PER BENEFIT OPTION (continued)

Diamond Plan – 119 members (2008: 186 members)	2009	2008
	R	R
Net contribution income	6,202,781	7,239,926
Relevant healthcare expenditure	(5,990,066)	(9,528,349)
Net claims incurred	(5,989,705)	(9,528,312)
Claims incurred	(6,024,322)	(9,548,008)
Third party claim recoveries and discounts	34,617	19,696
Net expense on risk transfer arrangements	(361)	(37)
Risk transfer arrangement fees paid	(26,888)	(12,465)
Recoveries from risk transfer arrangements	26,527	12,428
Gross healthcare result	212,715	(2,288,423)
Managed care: management services	(91,587)	(60,176)
Administration expenses	(544,511)	(349,007)
Net impairment recoveries/(losses) on healthcare receivables	11	6,784
Net healthcare result	(423,372)	(2,690,822)

6. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS

Expenses		
Premiums paid	(352,896)	(288,459)
Income		
Recoveries received	348,164	287,594
Net expense on risk transfer arrangements	(4,732)	(865)

Netcare 911 conducts the business of pre-hospital emergency response and transportation services for and on behalf of members of the Scheme. An estimated amount of R348,164 (2008: R287,594) was paid in ambulance claims benefits for the Scheme members during the 2009 benefit year. The contract with Netcare 911 is a one year contract, which is renewed annually. The cost to the Scheme of providing the equivalent service was based on an actuarial calculation of industry-related costs.

**AFROX MEDICAL AID SOCIETY
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For the year ended 31 December 2009**

**SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009**

7. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

No transactions or events, which are material to the financial position of the Scheme, were entered into or occurred between the statement of financial position date and the date of this report.

8. CONTINGENT ASSET

The Scheme has 76 outstanding Road Accident Claims to the value of R3,320,566 (2008: 68 claims to the value of R3,152,692). Due to the uncertain outcome of claims to the Road Accident Fund the Scheme has decided not to account for the inflow of economic benefits. The inflow will be treated on a cash received basis.

9. RELATED PARTY TRANSACTIONS

Parties with significant influence over the Scheme

Employer, African Oxygen Limited, has significant influence over the Scheme, as African Oxygen Limited participates in the Scheme's financial and operating decisions by means of employer-representative Trustees, but does not control the Scheme.

Administrator, Metropolitan Health Corporate (Pty) Ltd, (and managed healthcare service provider Qualsa Healthcare (Pty) Ltd by association) has significant influence over the Scheme, as Metropolitan Health Corporate (Pty) Ltd participates in the Scheme's financial and operating decisions, but does not control the Scheme.

Transactions with related parties

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

Key management personnel (Board of Trustees, Principal Officer and executive committee) and their close family members.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme.

	2009	2008
	R	R
<i>Statement of comprehensive income</i>		
Gross medical aid contributions	265,632	238,524
Gross medical aid claims	250,038	228,309

**AFROX MEDICAL AID SOCIETY
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For the year ended 31 December 2009**

**SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009**

9. RELATED PARTY TRANSACTIONS (continued)

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

Transaction	Nature of transactions and terms and conditions thereof.
Contributions received	This constitutes the contributions paid by the related party as a member of the Scheme, in their individual capacity. All contributions were at the same terms as applicable to third parties.
Claims incurred	This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the Rules of the Scheme, as applicable to third parties.
Claims reported not yet paid	These are claims that have been reported, but not yet paid due to the fact that the Scheme does a payment run twice a month. All claims are settled within 30 days of being received.
Contribution debtors	This constitutes outstanding contributions owing by members. These amounts are due immediately. No provisions for doubtful debts have been raised on these amounts.

Transactions with entities that have significant influence over the Scheme

Statement of comprehensive income	2009	2008
	R	R
Administration fees – African Oxygen Limited	130,827	111,116
Administration fees – Metropolitan Health Corporate (Pty) Ltd	5,866,162	4,934,684
Managed care fees – Qualsa Healthcare (Pty) Ltd	655,773	546,595
 Statement of financial position		
Administration fees – African Oxygen Limited	20,074	19,444

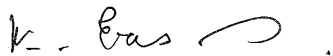
Terms and conditions of the administration agreement

The administration agreement is in terms of the Rules of the Scheme and in accordance with instructions given by the Trustees of the Scheme. The agreement is renewed each year unless notification of termination is given. The Scheme has the right to terminate the agreement on 180 days notice.

VOTE OF APPRECIATION

On behalf of the Afrox Medical Aid Society we would like to express our thanks to the following Stakeholders:

- the Company for their active support
- our members for their ongoing support
- our colleagues on the Board of Trustees for their support
- the management and staff of the Metropolitan Health Corporate (Pty) Ltd (MHC) for the manner in which they managed the day-to-day affairs of the Society
- our Medical Advisor, Dr Grant Dalziel, for his dedication and commitment
- the external auditors, PricewaterhouseCoopers Inc.
- the healthcare consultants, Alexander Forbes Financial Services (Pty) Ltd, for their actuarial service
- the Registrar of Medical Schemes and support staff for their co-operation and assistance during the year and
- all other service providers.



VICE CHAIRPERSON



PRINCIPAL OFFICER