

NOTICE IS HEREBY GIVEN THAT THE THIRTEENTH ANNUAL GENERAL MEETING OF



WILL BE HELD ON THURSDAY, 11 JUNE 2009, AT 09H00 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 Wednesday, 11 June 2008.
3. To adopt the Annual Report of the Board for the year ended 31 December 2008.
4. To adopt the Annual Financial Statements for the year ended 31 December 2008.
5. To re-appoint Advocate Buirski as the Disputes Committee.
6. To appoint the Auditors for the ensuing year.
7. To transact any other business of which due notice has been given by Thursday, 28 May 2009.

By order of the Board

A handwritten signature in black ink, appearing to read "Michael Rowell", is written over a light blue rectangular background.

Michael Rowell
PRINCIPAL OFFICER

REVIEW BY THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2008

OVERVIEW

MEDICAL SCHEMES INDUSTRY

The year 2008 has not seen many changes in the industry. The Single Exit Price (SEP) is a reference price for medicines and has been finalised for the 2009 benefit year. The maximum increase of 13.2% was gazetted and will be implemented by September 2009. It is expected that manufacturers will put through the full 13.2% increase. The increase was expected to materialise in mid-February.

ROAD ACCIDENT FUND (RAF)

The RAF Amendment Act ("Amendment Act") replaced the original RAF Act for all accidents that occurred after 1 August 2008. The key amendments include amongst others:

- Claims being limited to a maximum of R160,000 per year for loss of income, or R160,000 per year for each deceased breadwinner in the case of a claim for loss of support. Those who need to protect their lifestyles will have to ensure that they have alternative insurance in place.
- The RAF's obligation in terms of general damages will be limited to compensation for serious injuries.
- Tariffs for emergency medical treatment will be based on the National Health Reference Price List (NHRPL). Other non-emergency cases will be reimbursed according to the UPFS (Uniform Patient Fee Schedule).
- Passengers in the offending car will have the same rights to compensation as other victims and will no longer be limited to a claim of R25,000 per person.
- The Amendment Act removed the Fund's obligations to pay for legal fees thereby removing the incentive for legal representatives to run up costs beyond the claimed amount.
- The RAF's liability in respect of claims for secondary emotional shock (i.e. shock suffered as a result of witnessing an accident) will fall away.

AFROX MEDICAL AID SOCIETY

Membership

Membership totals at 31 December 2008:

	Base Plan	Diamond Plan	Society
Members	3,271	186	3,457
Dependants	4,464	82	4,546
TOTAL	7,735	268	8,003

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 128.72%. 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 2008. An additional preventative screening benefit was introduced in 2008. The preventative screening tests include:

- PSA test (related disease: prostate cancer) – one per annum for males aged 40+
- Pap smear (related disease: cervical cancer) – one per annum for females aged 30+
- DEXA scan (related disease: osteoporosis) – one every two years for females aged 50+
- Fasting glucose test (related disease: diabetes) – one per annum for all members aged 40+
- Lipogram (related disease: cholesterol) – one per annum for all members aged 40+
- Mammogram (related disease: breast cancer) – one per annum for females aged 40+

FINANCIAL OVERVIEW

Accumulated Funds

A surplus of R6,621,914 was accumulated during the year after taking into account:

- income from investments of R10,063,478;
- an operating deficit of R3,354,778 after deducting all expenses; and
- other realised and unrealised gains of R550,295.

The accumulated funds as at 31 December 2008 were R90,380,944.

The increase in reserves over 2008 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 128.72%.

Risk Contribution Income

2008	R70,215,468
2007	R64,465,874

Benefit Expenditure

2008	R66,562,603
2007	R58,819,352

Expenditure

Administration	2008	R6,067,311
	2007	R5,144,801
Managed Care	2008	R1,037,446
	2007	R915,387

Annual Comparisons

	2008	2007	2006
Managed care per member per month	R27	R25	R28
Administration cost per member per month	R155	R138	R138

Membership

Membership of the Society increased from 7,725 beneficiaries in 2007 to 8,003 in 2008.

	December 2008	December 2007
Total membership (beneficiaries)	8,003	7,725
Principal members	3,457	3,199
Dependants	4,546	4,526
Average number of dependants per principal member	1.32	1.41

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008

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 2008.

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 2008-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	
B Wheatcroft	Employer trustee	
A van den Heever	Member trustee	
A Cameron	Member trustee	
K Bonyngé	Member trustee	
T Taylor	Member trustee	
J du Plessis	Employer trustee	(Resigned 1 April 2008)
M Ngobeni	Employer trustee	(Appointed 18 September 2008)

**AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008**

REPORT OF THE BOARD OF TRUSTEES (continued)

2. MANAGEMENT (continued)

2.2 Principal Officer

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

2.3 Registered office address and postal address

Metropolitan Health Corporate (Pty) Ltd 5th Floor 101 De Korte Street Braamfontein 2001	PO Box 31391 Braamfontein 2017
---	--------------------------------------

2.4 Medical Scheme Administrator during the year

Metropolitan Health Corporate (Pty) Ltd 5th Floor 101 De Korte Street Braamfontein 2001	PO Box 31391 Braamfontein 2017
---	--------------------------------------

Council of Medical Schemes accreditation number: 17

2.5 Investment managers/advisors during the year

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

Financial services provider license number: 711

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

Financial services provider license number: 612

2.6 Actuaries

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

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008

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. The nature of the investments held indicate that the Scheme does not anticipate requiring funds on an ongoing basis.

The investment committee met on two occasions during 2008. 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 Board of Trustees with recommendations on the risks identified.

The Scheme invested in fixed deposits, bonds, equities, property and cash instruments during 2008. 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
For the year ended 31 December 2008

REPORT OF THE BOARD OF TRUSTEES (continued)

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES

4.1 Operational statistics

	Diamond Plan	Base Plan	2008 Total Scheme
Number of members at the end of the accounting period	186	3,271	3,457
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	2,179
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%	10.1%
Managed care: Management services as a percentage of net contributions	0.83%	1.55%	1.5%
Administration expenses as a percentage of net contributions	4.82%	9.08%	8.6%
Chronic profile (beneficiaries)	77.9%	37.9%	39.3%

4.1 Operational statistics

	Diamond Plan	Base Plan	2007 Total Scheme
Number of members at the end of the accounting period	204	2,995	3,199
Number of new members	-	575	575
Number of members leaving Scheme	15	240	255
Average number of members for the accounting period	210	2,886	3,096
Average number of beneficiaries for the accounting period	302	7,246	7,549
Average age of beneficiaries for the accounting period	68.9	29.6	31.1
Pensioner ratio (continuation beneficiaries > 65 years)	79.6%	4.3%	7.2%
Average net contributions per member per month (R)	2,957	1,646	1,735
Average net contributions per beneficiary per month (R)	2,053	656	712
Average claims incurred per member per month (R)	2,427	1,520	1,582
Average claims incurred per beneficiary per month (R)	1,685	605	649
Average administration costs per member per month (R)	139	138	138
Average administration cost per beneficiary per month (R)	97	55	57
Average managed care: Management services per member per month (R)	23	25	25
Average accumulated funds per member at 31 December (R)	N/A	N/A	2,182
Dependant ratio to members at 31 December	0.5	1.4	1.5

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008

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	2007 Total Scheme
Net claims as a percentage of net contributions	82.1%	92.3%	91.2%
Non-health expenses as a percentage of gross contributions	5.58%	10.06%	9.54%
Managed care: Management services as a percentage of net contributions	0.78%	1.50%	1.42%
Administration expenses as a percentage of net contributions	4.7%	8.4%	8.0%
Chronic profile (beneficiaries)	89.5%	36.3%	38.3%

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 Accumulated funds ratio

	2008 R	2007 R
Total members' funds per balance sheet	106,989,102	99,816,893
Less:		
Cumulative net gains on re-measurement to fair value of financial instruments included in the accumulated funds **	(16,608,158)	(16,057,863)
Accumulated funds per regulation 29	<u>90,380,944</u>	<u>83,759,030</u>
Gross contributions	<u>70,215,468</u>	<u>64,465,874</u>
Accumulated funds ratio (excluding unrealised gains on investments reserve)	128.72%	129.93%
Accumulated funds ratio (including unrealised gains on investments reserve)	152.37%	154.84%
** Cumulative gains on re-measurement to fair value are calculated as follows:		
Net cumulative gains opening balance at the beginning of the year	16,057,863	12,052,648
Add:		
Movement in unrealised gains on re-measurement to fair value of available-for-sale financial assets	550,295	4,005,215
Cumulative net gain on re-measurement to fair value of available-for-sale financial assets	<u>16,608,158</u>	<u>16,057,863</u>

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.

**AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008**

REPORT OF THE BOARD OF TRUSTEES (continued)

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

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.

5. ACTUARIAL SERVICES

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

6. POST BALANCE SHEET EVENTS

There have been no post balance sheet 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 at the year end. However, there was an investment in African Oxygen Limited during the year and an investment in the Administrator at year end as noted in section 11 of the Board of Trustees report.

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 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 Board of Trustees. The majority of the members, including the Chairperson, are not officers of the medical scheme or its third party administrator. 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 Board of Trustees.

The Principal Officer of the medical scheme, the financial manager, and the external and internal 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 Board of Trustees 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.

The committee presently comprises:

R Clarke	(Chairperson)
C van Zyl	
M White	
M Erasmus	
K Ehlers	(Resigned 31 August 2008)

**AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008**

REPORT OF THE BOARD OF TRUSTEES (continued)

9. INVESTMENT COMMITTEE

An investment committee was established and is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. This committee consists of two members of the Board of Trustees and the Principal Officer. The committee met on two occasions during the course of the year. Refer to section 10 of the Board of Trustees report for meeting attendances. The Principal Officer of the medical scheme attends all investment meetings by invitation.

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

The committee presently comprises:

C van Zyl (Chairman)
M Erasmus

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	2
Trustees/sub-committee members			
C van Zyl	5	2	2
M Erasmus	5	2	2
B Wheatcroft	2	-	-
J du Plessis (Resigned 1 April 2008)	1	-	-
A van den Heever	4	-	-
A Cameron	4	-	-
K Bonyngé	5	-	-
T Taylor	4	-	-
Sub-committee members (Non-Trustee)			
R Clarke	-	1	2
K Ehlers (Resigned 31 August 2008)	-	1	-
M White	-	2	-
Principal Officer			
M Rowell (Principal Officer)	5	2	2

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008

REPORT OF THE BOARD OF TRUSTEES (continued)

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

The Trustees note the following matters of non-compliance with the Act, which were addressed for correction by the Scheme:

- Section 26(7) states that, "All subscriptions or contributions shall be paid directly to a medical aid fund not later than three days after payment thereof becoming due". Certain isolated cases were experienced where contributions were not paid by members within three day as stipulated by the Act due to payment delays.
 - As set out in note 5 in the Summarised Annual Financial Statements, the Base and Diamond benefit options incurred operating deficits during the year. 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. The benefit options however experienced a profit for the year after taking investment income into account.
 - Section 59(2) states that, "A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme". Certain isolated cases were experienced where claims were not paid by the medical scheme within 30 days as stipulated by the Act due to incorrect information used by suppliers.
 - Section 35(8) of the Act prohibits investments in an employer that participates in the Scheme. Investments in the Administrator are also prohibited. During the year, the Scheme held an equity investment in African Oxygen Limited, which was subsequently disposed of. At year-end, the investment portfolio includes shares held in Metropolitan Health Corporate (Pty) Ltd, the holding company of the Administrator.
 - 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 year-end is R805,120.
-

**AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008**

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

Opinion

We have audited the Annual Financial Statements of Afrox Medical Aid Society 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 30 April 2009, 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 2008, 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

PricewaterhouseCoopers Inc.
Director: Leon de Wet
Registered Auditor
Johannesburg
30 April 2009

**AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008**

**BALANCE SHEET
For the year ended 31 December 2008**

	Notes	2008 R	2007 R
ASSETS			
Non-current assets			
Available-for-sale financial assets	2	87,974,001	83,476,476
Current assets			
Trade and other receivables		6,124,910	5,241,840
Cash and cash equivalents		16,784,942	16,759,339
Total assets		110,883,853	105,477,655
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		90,380,944	83,759,030
Available-for-sale reserve		16,608,158	16,057,863
Current liabilities			
Outstanding claims provision	3	3,018,261	2,741,123
Trade and other payables		876,490	2,919,639
Total funds and liabilities		110,883,853	105,477,655

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008

INCOME STATEMENT
For the year ended 31 December 2008

	2008	2007
	R	R
Net contribution income	70,215,468	64,465,874
Relevant healthcare expenditure	(66,562,603)	(58,819,352)
Net claims incurred	(66,561,738)	(58,756,478)
Claims incurred	(67,217,126)	(59,177,151)
Third party claim recoveries	655,388	420,673
Net expense on risk transfer arrangements	(865)	(62,874)
Risk transfer arrangement fees paid	(288,459)	(276,888)
Recoveries from risk transfer arrangements	287,594	214,014
Gross healthcare result	3,652,865	5,646,522
Managed care: management services	(1,037,446)	(915,387)
Administration expenses	(6,067,311)	(5,144,801)
Net impairment reversals/(losses) on healthcare receivables	97,114	(89,943)
Net healthcare result	(3,354,778)	(503,609)
Other income	10,362,861	8,369,685
Investment income	10,063,478	8,168,700
Sundry income	299,383	200,985
Other expenditure	(386,169)	(752,098)
Asset management expenses	(386,169)	(388,074)
Finance costs	-	(364,024)
Net surplus for the year	6,621,914	7,113,978

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008

STATEMENT OF CHANGES IN FUNDS AND RESERVES
For the year ended 31 December 2008

	Accumulated funds R	Available-for-sale reserve R	Total members fund R
Balance at 1 January 2007	76,645,052	12,052,648	88,697,700
Net surplus for the year	7,113,978	-	7,113,978
Unrealised gain on revaluation of available-for-sale financial assets	-	4,005,215	4,005,215
Balance at 31 December 2007	<u>83,759,030</u>	<u>16,057,863</u>	<u>99,816,893</u>
Balance at 1 January 2008	83,759,030	16,057,863	99,816,893
Net surplus for the year	6,621,914	-	6,621,914
Unrealised gain on revaluation of available-for-sale financial assets	-	550,295	550,295
Balance as at 31 December 2008	<u>90,380,944</u>	<u>16,608,158</u>	<u>106,989,102</u>

CASH FLOW STATEMENT
For the year ended 31 December 2008

	2008 R	2007 R
Cash flows from operating activities		
Cash flows utilised in operations before working capital changes	(3,537,813)	(537,881)
Working capital changes		
- Increase in trade and other receivables	(786,821)	(521,361)
- Decrease in trade and other payables	(2,043,149)	(258,174)
- Increase in outstanding claims provision	277,138	745,077
- Decrease in savings plan liability	-	(3,867,592)
Cash utilised in operations	<u>(6,090,645)</u>	<u>(4,439,931)</u>
Finance costs	-	(364,024)
Purchase of available-for-sale financial assets	(87,764,519)	(28,791,143)
Proceeds on disinvestment of available-for-sale financial assets	83,817,289	38,530,656
Investment income	10,063,478	8,168,700
Net increase in cash and cash equivalents	<u>25,603</u>	<u>13,104,258</u>
Cash and cash equivalents at beginning of year	<u>16,759,339</u>	<u>3,655,081</u>
Cash and cash equivalents at end of year	<u>16,784,942</u>	<u>16,759,339</u>

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008

SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008

1. Principal accounting policies

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Schemes Act. The Financial Statements have been prepared on the historical cost basis. There have been no changes to the accounting policies in the current year. The same accounting policies have been used as in the previous Annual Financial Statements.

1.1 Risk transfer arrangements

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis. A portion of risk transfer premiums is treated as prepayments.

Risk transfer premiums and benefits reimbursed are presented in the income statement and balance sheet 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 balance sheet 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

	2008	2007
	R	R
Fair value at beginning of year	83,476,476	89,210,774
Additions	87,764,519	28,791,143
Proceeds on disinvestments of available-for-sale financial assets	(83,817,289)	(38,530,656)
Unrealised gains on revaluation	550,295	4,005,215
Fair value at end of year	87,974,001	83,476,476
 Non-current	 87,974,001	 83,476,476
	87,974,001	83,476,476

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008

SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

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

The quoted investments (valued with reference to an active market) included above represent investments held in a policy of insurance with Investment Solutions. The Scheme has also invested in unit trusts through Prescient Management Company. The available-for-sale financial assets comprise:

	2008	2007
	R	R
Listed Equities and unit trusts	30,255,763	22,122,578
Bonds	2,442,425	6,547,318
Cash	55,275,813	54,806,580
	87,974,001	83,476,476
	87,974,001	83,476,476

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 2008. The cash component earned interest at an effective rate of 13.2% per annum (2007: 8.0%).

The maximum exposure to credit risk at the reporting date is the fair value of the 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 managers.

3. OUTSTANDING CLAIMS PROVISION

Provision for outstanding claims incurred but not yet reported	3,018,261	2,741,123
	3,018,261	2,741,123

Analysis of movements in outstanding claims

Balance at the beginning of the year	2,741,123	1,996,046
Payments in respect of prior year	(2,810,920)	(2,002,890)
Under provision in prior year	(69,797)	(6,844)
Adjustment for current year	3,088,058	2,747,967
Balance at end of year	3,018,261	2,741,123
	3,018,261	2,741,123

Analysis of outstanding claims provision

Estimated gross claims	3,018,261	2,741,123
	3,018,261	2,741,123

**AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008**

**SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008**

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 2009, in respect of the 2008 financial year, and extrapolating these paid claims to 30 April (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 2008 financial year expected to have been paid by 15 March 2009 was 91.4% (2007: 95.9%).

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 as at 15 March 2009 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 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. 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 15 March 2009 claims represent 86.4%, instead of 91.4%, of claims relating to 2008) the effect will be:

	%	2008
	Change	R
Claims provision	5	3,192,929
Surplus for the year based on the above impact		6,447,247
Reserves for the year based on the above impact		90,206,276

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008

SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

	2008 R	2007 R
4. NET CONTRIBUTION INCOME		
Gross contributions	70,215,468	64,465,874
Less:		
Savings contributions	-	-
Net contribution income	70,215,468	64,465,874

5. DEFICIT 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 – 3,271 members (2007: 2,995 members)

	2008 R	2007 R
Net contribution income	62,975,542	57,014,663

Relevant healthcare expenditure

	(57,034,254)	(52,700,352)
--	--------------	--------------

Net claims incurred	(57,033,426)	(52,640,945)
---------------------	--------------	--------------

Claims incurred	(57,669,115)	(53,061,618)
-----------------	--------------	--------------

Third party claim recoveries and discounts	635,689	420,673
--	---------	---------

Net expense on risk transfer arrangements	(828)	(59,407)
---	-------	----------

Risk transfer arrangement fees paid	(275,994)	(258,905)
-------------------------------------	-----------	-----------

Recoveries from risk transfer arrangements	275,166	199,498
--	---------	---------

Gross healthcare result	5,941,288	4,314,311
--------------------------------	-----------	-----------

Managed care: management services	(977,270)	(856,964)
-----------------------------------	-----------	-----------

Administration expenses	(5,718,304)	(4,793,717)
-------------------------	-------------	-------------

Net impairment reversals/(losses) on healthcare receivables	90,330	(83,842)
---	--------	----------

Net healthcare result	(663,956)	(1,420,212)
------------------------------	-----------	-------------

AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008

SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

5. DEFICIT FROM OPERATIONS PER BENEFIT OPTION (continued)

Diamond plan – 186 members (2007: 204 members)

	2008	2007
	R	R
Net contribution income	7,239,926	7,451,211
Relevant healthcare expenditure	(9,528,349)	(6,119,000)
Net claims incurred	(9,528,312)	(6,115,533)
Claims incurred	(9,548,008)	(6,115,533)
Third party claim recoveries and discounts	19,696	-
Net expense on risk transfer arrangements	(37)	(3,467)
Risk transfer arrangement fees paid	(12,465)	(17,983)
Recoveries from risk transfer arrangements	12,428	14,516
Gross healthcare result	(2,288,423)	1,332,211
Managed care: management services	(60,176)	(58,423)
Administration expenses	(349,007)	(351,084)
Net impairment reversals/(losses) on healthcare receivables	6,784	(6,101)
Net healthcare result	(2,690,822)	916,603

6. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS

Expenses

Premiums paid (288,459) (276,888)

Income

Recoveries received 287,594 214,014

Net expense on risk transfer arrangements (865) (62,874)

Netcare 911 conducts pre-hospital emergency response and transportation services for and on behalf of members of the Scheme. An estimated amount of R287,594 (2007: R214,014) was paid in ambulance claims benefits for the Scheme members during the 2008 benefit year. The contract with Netcare 911 is a one year contract, which is automatically 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
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008**

**SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008**

7. EVENTS AFTER BALANCE SHEET DATE

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

8. CONTINGENT ASSET

The Scheme has 68 outstanding Road Accident Claims to the value of R3,152,692 (2007: 182 claims to the value of R4,731,518). 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.

	2008	2007
	R	R
<i>Income Statement</i>		
Trustees gross medical aid contributions	238,524	251,715
Trustees gross medical aid claims	228,309	195,261

**AFROX MEDICAL AID SOCIETY
SUMMARISED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2008**

**SELECTED NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008**

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

Income Statement	2008	2007
	R	R
Administration fees – African Oxygen Limited	111,116	104,665
Administration fees – Metropolitan Health Corporate (Pty) Ltd	4,934,684	4,325,047
Managed care fees – Qualsa Healthcare (Pty) Ltd	546,595	478,664
 Balance Sheet		
Administration fees – African Oxygen Limited	19,444	9,557

There are no outstanding contributions due from the Trustees.

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 automatically 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.



CHAIRPERSON



PRINCIPAL OFFICER