

**KENNIS GESKIED HIERMEE DAT DIE HERSKEDULEERDE ALGEMENE
JAARVERGADERING VAN DIE LEDE VAN TRANSMED MEDIESE FONDS OP
DONDERDAG, 5 AUGUSTUS 2010, OM 17h00, BY DIE ROODEPOORT STADSTEATER
(HANDELDRYWENDE AS JOBURG PROMUSICA), CHRISTIAAN DE WET-WEG 100,
FLORIDA PARK, FLORIDA SAL PLAASVIND.**

DIE SAKE WAT OORWEEG SAL WORD, VERSKYN IN DIE ONDERSTAANDE AGENDA.

AGENDA

1. Openingsformaliteite
2. Goedkeuring van die notule van die Algemene Jaarvergadering gehou op 24 Junie 2009
3. Sake voortspruitend uit notule
4. Opsomming van die Finansiële Jaarstate
5. Aanstelling van die ouditeure
6. Jaarlikse verhoging in Trusteefooie
7. Bespreking van mosies ontvang van lede
8. Aanstelling van Trustees

KENNISGEWING

'n Kworum was nie teenwoordig vir die Algemene Jaarvergadering van die lede van Transmed Mediese Fonds wat op 23 Junie 2010 sou plaasvind nie. In terme van die Reëls van die Fonds moet die vergadering herskeduleer word en lede wat dan teenwoordig is by die vergadering sal 'n kworum vorm.

BELANGRIK

Registrasie van die lede van die Fonds wat die vergadering bywoon, sal 45 minute voor die aanvang van die vergadering geskied. *Lede moet hulself identifiseer deur hul lidmaatskapkaarte aan die registrasiepersoneel te toon.*

MINUTES OF THE ANNUAL GENERAL MEETING

MINUTES OF THE ANNUAL GENERAL MEETING OF THE TRANSMED BOARD OF TRUSTEES HELD AT THE LUTHERAN CHURCH HALL, 52 EDGE ROAD, BEACON BAY, EAST LONDON, ON WEDNESDAY, 24 JUNE 2009, AT 17h00.

1. PRESENT

Mr AM Viljoen (Chairman)
Mr PL Wassermann (Principal Officer)
Mr E Weyers (Secretary)
The Secretary confirmed that a quorum of members attended the meeting.

2. OPENING FORMALITIES

The Chairman welcomed all present to the meeting and confirmed that a quorum was present.

3. APPROVAL OF MINUTES

The minutes of the previous meeting were approved. A motion for the approval was supported by Mr R Myburgh and seconded by Mr F Mackenzie.

4. MATTERS ARISING - PRINCIPAL OFFICER

No issues were raised to be addressed at the Annual General Meeting (AGM).

5. SUMMARY OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements were reviewed and considered to be correct and were duly adopted by the members present at the meeting.

6. APPOINTMENT OF AUDITORS

The current auditors (Messrs Deloitte & Touche and Messrs Gobodo Chartered Accountants SA) were appointed as joint auditors for the 2009 financial year.

7. DISCUSSION OF MOTIONS RECEIVED WHICH WERE TABLED AT THE ANNUAL GENERAL MEETING

Motion No. 7.1

Member would like to see collaboration between medical schemes to create a cohesive team to limit fraud, especially in respect of private hospital institutions claims. Also, the Fund to introduce regular visits to clinics and ensure that service levels are acceptable, and members have received the necessary treatment.

Response to Motion No. 7.1

Transmed Medical Fund has an Internal audit unit operated under the auspices of the Metropolitan Health Group (MHG), who in turn share information amongst the other medical schemes that fall under their control.

The Board of Healthcare Funders (BHF), who acts as the umbrella body of medical schemes in South Africa, also collects information about medical suppliers who act fraudulently and they blacklist such individuals and institutions. This information is also shared amongst medical schemes that are affiliated with the BHF.

MHG also operates a fraud line whereby members of all the participating medical schemes can report possible or assumed fraud by suppliers of medical services that effect members.

Motion No. 7.2

Member would like to see the Fund find means of educating members to be able to interpret tariff codes to ensure that the correct services were rendered to patients.

Response to Motion No. 7.2

Tariff codes numbers are in their thousands currently. The list is also dynamic in nature and constantly changes. This makes it difficult to coach and educate members on such a large number of tariff codes. However, the Fund will look into ways and means to make such information available to members.

Motion No. 7.3

Member would like the membership contributions for Transnet pensioners to either be optional or limited to 2% of the pensioners' monthly income.

Response to Motion No. 7.3

The member contributions are calculated based on a complex number of factors, which differ to the factors that drive pension or salary increases. However, simplistically speaking, like any other business entity, Transmed bases its pricing/member contributions on the total income it receives verses its expenditure, bearing in mind the Fund also has to make a small profit to build up sufficient reserve capital to be in line with legislative requirements.

The goal of the Board of Trustees is to keep all contribution increases to the absolute minimum without compromising service delivery to Transmed members. It also, inter alia, needs to retain a competitive edge over its competitors (this is achieved through continuous benchmarking and the aggressive pricing of the respective benefit options). Whilst it would be possible to reduce member contributions, this will come at a cost in the form of drastically reduced and inferior benefits as well as member dissatisfaction.

Motion No. 7.4(a)

Member would like co-payments in private hospitals to be restricted to 20% and not the currently applied 40%.

Response to Motion No. 7.4(a)

The 40% co-payment is based on the actual difference in cost over a specific period of time. The proof of the difference is assessed over this period of time by an independent group of actuaries who assesses the co-payment and once this is done, the actuaries will advise the Board of Trustees on what the co-payment should be. In turn, the co-payment is registered with the Registrar of Medical Schemes with all the other benefits changes for that particular financial year.

If the co-payment should be reduced the member contributions will have to increase to offset the risk the Fund will have to carry, or it will come at a cost in the form of drastically reduced and inferior benefits as well as member dissatisfaction.

Motion No. 7.4(b)

Member would like Transnet employees to have the right to more than one choice of plan that offers you with your own choice of doctors with private hospital cover at an affordable price. If Transmed cannot offer its members this request, then Transmed can sub-contract to other medical schemes.

Response to Motion No. 7.4(b)

The Fund is currently looking into alternative options that will be sustainable for the Fund and its members. The Fund can only contract with organisations, such as Prime Cure and Carecross, who act as a provider that supplies capitation benefits. The Fund cannot contract with other medical schemes to provide medical cover for its members, as this is a contravention of the Medical Schemes Act.

Motion No. 7.4(c)

Member would like dental and optical limits that have been set at a fixed limit amount and do not keep trend with rising costs, be given a shared amount for utilising of dental and optical benefits.

Response to Motion No. 7.4(c)

All benefit plans are priced on the projected utilisation patterns of a particular benefit provided. If the limits were bundled as suggested, it could be expected that members would make far more utilisation of the bundled benefits. The net result would be that the bundled limit would have to be drastically reduced making the limit unfair to a large majority who would otherwise have gained by having a limit available for a particular benefit. A smaller bundled limit is therefore not necessarily in the interests of all members.

Motion No. 7.4(d)

Members enquired on the cause of the Ubuntu benefit plan closure and the effect this has on benefits as from 1 July 2009.

Response to Motion No. 7.4(d)

It was obvious when these letters were received by the Fund that the members had not yet received the communication that had gone out to members on the closure of the Ubuntu benefit plan.

In essence, Prime Cure's decision to terminate the contract with the Fund was based on the Ubuntu benefit plan unfortunately incurring significant losses that were absorbed by Prime Cure. In terms of the contract agreement between Transmed Medical Fund and Prime Cure, either party had the option to terminate the contract by providing notice to the other party.

Prime Cure chose to exercise this option and has complied with both contractual and legislation requirements and obligations in this regard, by notifying the Fund of their decision to terminate the contract with the Fund for the Ubuntu benefit plan from 1 July 2009. The Fund's Benefits Committee together with the Fund's actuaries, Managed Care provider (Qualsa) and our Administrator (MHG), are investigating and considering various alternatives and possible solutions, which include an alternative service provider, in order to continue providing current benefits to Ubuntu members for an additional six-month period until December 2009.

8. GENERAL

The Chairman opened the floor for discussions of a general nature. The Principal Officer was able to deal with all other matters raised to the satisfaction of the members.

9. CLOSURE

There being no further business for discussion, the Chairman thanked everybody for their attendance and wished all a safe journey home.

Chairman

Date

**TRANSMED MEDICAL FUND
(Registration Number: 1582)**

**SUMMARISED ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2009**

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**TRANSMED MEDICAL FUND
(Registration Number: 1582)**

**STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES
31 December 2009**

The Trustees are responsible for the preparation, integrity and fair presentation of the summarised Annual Financial Statements of Transmed Medical Fund (the Fund). The summarised Annual Financial Statements presented on pages 22 to 32 have been prepared in accordance with International Financial Reporting Standards (IFRS) and include amounts based on judgements and estimates made by management.

The Trustees consider that in preparing the summarised Annual Financial Statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees are satisfied that the information contained in the summarised Annual Financial Statements fairly presents the results of operations for the year and the financial position of the Fund at year end. The Trustees also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the summarised Annual Financial Statements.

The Trustees are responsible for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Fund to enable the Trustees to ensure that the summarised Annual Financial Statements comply with the relevant legislation.

The Fund operates in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The going concern basis has been adopted in preparing the summarised Annual Financial Statements. The Trustees have no reason to believe that the Fund will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These summarised Annual Financial Statements support the viability of the Fund.

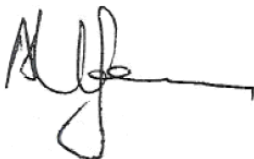
The King II Code of Corporate Practices and Conduct has been adhered to.

The Fund's external auditors are responsible for auditing the summarised Annual Financial Statements in terms of International Standards on Auditing and their report is presented on page 21.

The summarised Annual Financial Statements are derived from the Annual Financial Statements that were approved by the Board of Trustees on 21 April 2010 and are signed on its behalf:



DB Pagel
VICE CHAIRMAN



AM Viljoen
CHAIRMAN



PL Wassermann
PRINCIPAL OFFICER

21 April 2010

TRANSMED MEDICAL FUND
(Registration Number: 1582)

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES
31 December 2009

The Fund is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Trustees are proposed and elected by the members of the Fund and the employers.

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of all its contracted service providers. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

All Trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Fund.


INTERNAL CONTROL

The Administrators of the Fund maintain internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the summarised financial statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures, and are implemented by trained personnel with the appropriate segregation of duties.

No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



DB Pagel
VICE CHAIRMAN



AM Viljoen
CHAIRMAN



PL Wassermann
PRINCIPAL OFFICER

21 April 2010

**TRANSMED MEDICAL FUND
(Registration Number: 1582)**

**REPORT OF THE BOARD OF TRUSTEES
31 December 2009**

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

1. DESCRIPTION OF THE MEDICAL FUND

1.1 Terms of registration

The Fund is a not-for-profit restricted medical fund registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended.

1.2 Benefit options within the Transmed Medical Fund

The Fund offers five benefit options to employees and pensioners of Transnet Limited and its subsidiaries. These are:

- Guardian
- State Plus Network
- State Plus Own Choice
- Ubuntu (closed on 30 June 2009)
- Private Cover Plus Savings.

1.3 Savings plan

In order to provide a facility for medical fund members to set funds aside to meet future healthcare costs not covered in the benefit options, the Trustees have made the savings plan option available to meet this objective.

Members that belong to the Private Cover Plus Savings benefit option pay a standard amount into a savings account so as to help pay the members' portion of healthcare costs, up to a prescribed threshold.

Unexpended savings amounts are carried forward to meet future expenses for which the members are responsible and interest is credited at 65% of the repo rate of the average monthly balances.

The liability to the members in respect of the savings plan is reflected as a financial liability in the financial statements, repayable in terms of Regulation 10 of the Act.

Savings contributions are refundable when a member leaves the Fund. The money is transferred to the member within six months of the date of exit.

In terms of the Rules of the medical fund, the Fund carries the risk relating to the savings plans.

1.4 Risk transfer arrangement

The Fund has entered into a capitation agreement with Prime Cure to provide primary healthcare services to the State Plus Network and Ubuntu (closed on 30 June 2009) options for the duration of the year. The results of this risk transfer arrangement have been included in Note 8 of the selected notes to the summarised Annual Financial Statements.

**TRANSMED MEDICAL FUND
(Registration Number: 1582)**

**REPORT OF THE BOARD OF TRUSTEES (continued)
31 December 2009**

2. MANAGEMENT

2.1 Board of Trustees in office during the year under review and to the date of this report:

EMPLOYER APPOINTED TRUSTEES

Ms NNJ Sizani (nee Mbambisa)
Mr SF Malan
Mr SX Mapoma (Appointed 06/09)
Mr ZAT Lamla
Mr V Kahla (Resigned 05/09)
Mr RC Ackerman (Resigned 06/09)
Mr B Spies
Ms BH Mwelase
Mr ZZ Ndlovu
Mr AM Viljoen (Chairman)
Mr LM Naiker

MEMBER ELECTED TRUSTEES

Mr B Jonker
Mr J Olsen
Mr J Benwell
Mr JL Close
Mr SJ van Wyk (Resigned 06/09)
Mr F Mackenzie
Mr JE Myburgh
Mr MN Nyamakazi
Mr DB Pagel (Vice Chairman)
Ms JJ Zebert

2.2 Principal Officer

Mr PL Wassermann
6th Floor Private Bag 32043
101 De Korte Street Braamfontein
Braamfontein 2017
2001

2.3 Registered office address and postal address

6th Floor Private Bag 32043
101 De Korte Street Braamfontein
Braamfontein 2017
2001

2.4 Medical fund administrator

Metropolitan Health Group
5th Floor PO Box 32931
101 De Korte Street Braamfontein
Braamfontein 2017
2001 CMS accreditation no: 17

**TRANSMED MEDICAL FUND
(Registration Number: 1582)**

**REPORT OF THE BOARD OF TRUSTEES (continued)
31 December 2009**

2. MANAGEMENT (continued)

2.5 Managed care provider

Qualsa Healthcare (Pty) Ltd
61 Town Square
St George's Mall
Cape Town
8001

PO Box 4313
Cape Town
8000

2.6 Investment managers

Investec Asset Management Ltd
36 Hans Strijdom Avenue
Foreshore
Cape Town
8001
FSP Number 587

Coronation Fund Managers Ltd
Coronation House
Boundary Terraces
1 Mariendahl Lane
Newlands
Cape Town
7700
FSP Number 548

2.7 Actuaries and investment advisors

Fifth Quadrant Actuaries and Consultants (Pty) Ltd
61 Katherine Street
Sandown
2196

2.8 Registered auditors

Deloitte & Touche
Registered Auditors
Building 8
Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
2052

Gobodo Incorporated
Registered Auditors
Chartered Accountants (SA)
1st Floor, Block B, Empire Park
55 Empire Road
Parktown
Johannesburg
2001

**TRANSMED MEDICAL FUND
(Registration Number: 1582)**

**REPORT OF THE BOARD OF TRUSTEES (continued)
31 December 2009**

3. INVESTMENT STRATEGY OF THE FUND

The Fund's investment objectives are 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 Finance and Investment Committee is constituted to ensure that:

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

The Fund's 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.

TRANSMED MEDICAL FUND
(Registration Number: 1582)

REPORT OF THE BOARD OF TRUSTEES (continued)
31 December 2009

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES
4.1 Operational statistics

2009						
	State Plus Network	State Plus Own Choice	Ubuntu	Private Cover Plus Savings	Guardian	Total
Number of members at the end of the accounting period	6 797	31 767	-	16 637	18 322	73 523
Average number of members for the accounting period	6 375	28 197	9 585	16 309	19 002	74 705
Average age of beneficiaries for the accounting period	34	36	38	45	75	45
Pensioner ratio (beneficiaries > 65 years)	5.34%	9.92%	12.48%	13.29%	85.47%	22.58%
Average net contributions per member per month	R694.52	R844.52	R2 011.08	R2 507.44	R1 135.14	R1 343.15
Average net contributions per beneficiary per month	R284.44	R371.46	R1 017.80	R1 238.23	R872.71	R682.65
Average claims incurred per member per month	R462.39	R794.41	R1 407.16	R2 369.86	R1 764.72	R1 395.49
Average claims incurred per beneficiary per month	R189.37	R349.42	R712.16	R1 170.29	R1 356.74	R709.41
Average administration costs per member per month	R63.57	R74.97	R167.47	R221.33	R96.63	R117.36
Average administration cost per beneficiary per month	R26.03	R32.98	R84.75	R109.30	R74.29	R59.65
Average managed care: Management services per member per month	R17.32	R34.85	R37.72	R59.08	R42.67	R38.34
Average accumulated funds per member at 31 December	R1 055.51	R598.47	R140.78	(R292.69)	R601.99	R398.54
Beneficiaries per member at 31 December	2.44	2.27	1.98	2.02	1.3	1.85
Managed care: Management services as a percentage of net contributions	2%	4%	2%	2%	4%	3%
Net claims as a percentage of net contributions	67%	94%	70%	95%	155%	104%
Administration expenses as a percentage of net contributions	9%	9%	8%	9%	9%	9%

TRANSMED MEDICAL FUND
(Registration Number: 1582)

REPORT OF THE BOARD OF TRUSTEES (continued)
31 December 2009

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

2008						
	State Plus Network	State Plus Own Choice	Ubuntu	Private Cover Plus Savings	Guardian	Total
Number of members at the end of the accounting period	5 694	23 113	10 558	16 434	19 776	75 845
Average number of members for the accounting period	5 868	22 683	10 411	16 721	20 508	76 216
Average age of beneficiaries for the accounting period	33	35	37	44	74	44
Pensioner ratio (beneficiaries > 65 years)	2.75%	8.41%	11.58%	12.67%	84.43%	22.38%
Average net contributions per member per month	R629.83	R777.66	R1 440.52	R2 228.17	R1 116.99	R1 265.67
Average net contributions per beneficiary per month	R255.37	R329.43	R725.34	R1 078.07	R884.52	R642.66
Average claims incurred per member per month	R583.77	R672.33	R1 175.06	R2 271.81	R1 438.59	R1 281.72
Average claims incurred per beneficiary per month	R235.66	R284.81	R591.87	R1 099.19	R1 092.63	R647.64
Average administration costs per member per month	R70.20	R86.48	R159.62	R265.18	R120.66	R109.39
Average administration cost per beneficiary per month	R28.46	R36.64	R80.37	R128.30	R92.13	R55.55
Average managed care: Management services per member per month	R15.89	R16.63	R36.37	R60.11	R27.42	R34.56
Average accumulated funds per member at 31 December	R1 041.40	R662.65	(R162.70)	R157.42	R1 441.06	R678.82
Beneficiaries per member at 31 December	2.47	2.36	1.98	2.07	1.31	1.98
Managed care: Management services as a percentage of net contributions	3%	3%	3%	3%	3%	3%
Net claims as a percentage of net contributions	62%	86%	104%	102%	124%	103%
Administration expenses as a percentage of net contributions	11%	11%	11%	12%	11%	11%

TRANSMED MEDICAL FUND
(Registration Number: 1582)

REPORT OF THE BOARD OF TRUSTEES (continued)
31 December 2009

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

4.2 Results of operations

The results of the Fund are set out in the Annual Financial Statements (of which a summarised version appears on pages 22 to 32 hereto). The Trustees made a decision to target a minimum reserve ratio of 30% for the Transnet Limited Working Members and Pensioner plans in terms of the Fund's reserve policy.

Based on the losses incurred for the year ended 31 December 2009 and the related significant decline in the movement in reserves attributable to both the Guardian benefit option and the Fund as a whole, it is clear that a resolution to the uncertainty surrounding going concern is required to ensure the future sustainability of the Fund. An emphasis of matter in respect of going concern was included in the audit opinion.

The Council for Medical Schemes has previously approved the ring fencing of the SATS risk pool. This ring fencing was approved on the basis that it would fall away if the SATS members migrate to the Government Employees' Medical Scheme.

Transnet Limited will continue to seek a solution to housing the SATS pensioners lawfully with an appropriate entity for the purposes of providing these pensioners with medical scheme benefits during 2010. Transnet Limited intends to implement such a solution on or before 31 December 2010. To ensure that the members are not prejudiced in any way, Transnet Limited has indicated that quarterly payments of R43 905 600 will be made during the 2010 year.

In order to ensure the going concern ability of the Fund, Transnet Limited has indicated that in the event that a solution is not implemented by 31 December 2010, Transnet Limited will continue to make payment of the SATS funding until 30 June 2011, at which time Transnet Limited will reassess its position regarding the payment of any further amount to the Fund.

4.3 Solvency ratio

	2009	2008	2007
	R'000	* R'000	* R'000
Total members' funds per statement of financial position	382 373	518 685	619 719
Deduct: Available-for-sale reserve	(10 290)	-	(3 207)
Accumulated funds per regulation 29	<u>372 083</u>	<u>518 685</u>	<u>616 512</u>
Gross contributions	<u>1 289 223</u>	<u>1 248 036</u>	<u>1 234 949</u>
Accumulated funds ratio	28.86%	41.56%	49.58%

*The calculation has been revised to comply with circular 13 of 2001.

4.4 Going concern

The financial position of the Fund is satisfactory despite the declining reserves experienced over the past few years. The Board of Trustees considers the Fund as a going concern for the foreseeable future.

**TRANSMED MEDICAL FUND
(Registration Number: 1582)**

**REPORT OF THE BOARD OF TRUSTEES (continued)
31 December 2009**

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

4.5 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 Board of Trustees believe should be brought to the attention of the members of the Fund.

4.6 Outstanding claims

The basis of calculation of the outstanding claims provision is discussed in Note 4 of the selected notes to the summarised Annual Financial Statements and is consistent with the prior year. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Fund.

5. ACTUARIAL SERVICES

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

6. GUARANTEES RECEIVED BY THE FUND FROM A THIRD PARTY

Not applicable to the Fund.

7. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

There have not been any events after the statement of financial position that affect the summarised Annual Financial Statements.

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

- The Fund holds no investments in participating employers of the Fund's members.
- Refer to related party disclosure in Note 6 of the selected notes to the summarised Annual Financial Statements.

9. AUDIT COMMITTEE

The 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 Fund or its third party administrator. The Committee met on three occasions during the course of the year and all members attended these meetings.

The Principal Officer of the Fund, Metropolitan Health Group management, the External Auditors and the Internal Auditor attend all Audit Committee meetings and have unrestricted access to the Chairman of the Committee.

TRANSMED MEDICAL FUND
(Registration Number: 1582)

REPORT OF THE BOARD OF TRUSTEES (continued)
31 December 2009

9. AUDIT COMMITTEE (continued)

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, risk management, 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:

Dr L Konar (Chairman)

Mr M Mohohlo

Mr K Buthelezi

Ms JJ Zebert

Mr LM Naiker

10. FINANCE AND INVESTMENT COMMITTEE

The investment consultants advise the Committee on the best investment opportunities. Together, the equity and money market portfolios amounted to R397 million (2008: R517 million). The investment policy is reviewed annually, taking into consideration compliance with the Regulations, the risk and returns of the various investment instruments and the surplus funds available.

11. MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried by the Fund assumes the risk of loss from members and their dependants that are directly subject to the risk. The risk relates to the health of the Fund members. As such, the Fund is exposed to the uncertainty surrounding the timing and severity of claims under contract.

The Fund manages its insurance risk through benefits limits and sub-limits, approval procedures for transactions that involves pricing guidelines, pre-authorisation and case management, and service provider profiling.

The Fund uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The theory of probability is applied to pricing and provision for portfolio of insurance contracts. The principal risk is that the frequency and severity of claims are greater than expected.

Insurance events are, by their nature, random and the actual member and size of events during any one year may vary from those estimated with established statistics techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the summarised Annual Financial Statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Fund's cash flows.

TRANSMED MEDICAL FUND
(Registration Number: 1582)

REPORT OF THE BOARD OF TRUSTEES (continued)
31 December 2009

12. TRUSTEE MEETING ATTENDANCE AND REMUNERATION

The following schedule sets out Board of Trustees meeting attendances.

Trustee/sub-Committee member	Board meetings		Finance and Investment Committee		Audit Committee		Benefits Committee		Suppliers Committee		Ex Gratia Committee		Managed Care Committee		Marketing Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Kahla, V*	11	0																
Lamla, AT	11	8																
Malan, F	11	8	4	3														
Mapoma, SX**	11	5									12	4						
Mwelase, B	11	9																
Naiker, LM	11	11	4	3	3	3	4	3					6	5				
Ndlovu, Z	11	6	4	0					2	0					4	1		
Sizani, N	11	9	4	3														
Spies, B	11	9																
Viljoen, AM	11	11									12	9	6	5			2	2
Ackerman, RC*	11	5					4	1			12	4	6	2	4	2		
Benwell, J	11	9	4	4			4	3	2	2							2	1
Close, J	11	9																
Jonker, B**	11	3					4	3			12	3	6	4	4	1		
Mackenzie, F	11	11					4	4			12	12	6	6	4	3		
Myburgh, JE	11	11	4	2			4	4	2	2	12	12	6	6	4	4		
Nyamakazi, NM	11	10					4	4	2	1	12	12			4	1		
Olsen, J**	11	5					4	2	2	1								
Pagel, DB	11	11	4	4			4	1	2	2			6	6			2	1
van Wyk, SJ*	11	6	4	2			4	1	2	1	12	6	6	2	4	2		
Zebert, J	11	9	4	2	3	3	4	2	2	1	12	3	6	3	4	3		

A - Is the number of meetings held during the year
 B - Is the number of meetings attended

*Resigned in 2009
 **Appointed in 2009

**TRANSMED MEDICAL FUND
(Registration Number: 1582)**

**REPORT OF THE BOARD OF TRUSTEES (continued)
31 December 2009**

13. BOARD OF TRUSTEE COMMITTEE MEETINGS

13.1 Benefits Committee

The mandate of the Benefits Committee is:

- to make decisions and recommendations to the Board on the benefits that are offered to members
- to ensure long-term viability of the benefit options.

13.2 Remuneration Committee

The mandate of the Committee is to:

- do annual performance appraisals of all employees of the Fund
- decide on annual increases in the remuneration.

13.3 Ex gratia Committee

The Ex gratia Committee approved applications to the value of R203 545 (2008: R235 986) for ex gratia assistance to members. Applications for assistance from members are evaluated against criteria as approved by the Board from time to time.

13.4 Suppliers' Committee

The mandate of the Committee is to:

- manage the supplier contracts of the Fund
- ensure compliance with the agreed service levels
- engage in contract negotiations at the time of re-appointment or new appointment of suppliers to the Fund and its members.

13.5 Marketing Committee

The mandate of the Committee is to:

- provide strategic input into the development of a marketing plan
- review the annual marketing plan
- monitor on a monthly basis the marketing expenditure versus the budget, the activities of the marketing manager and give guidance on areas where the marketing manager should focus
- give input on a structure to support a marketing strategy
- review all marketing material.

13.6 Managed Care Committee

The mandate of the Committee is to:

- review monthly managed care reports and report back to the Board where necessary
- review annual provider fee negotiations and report back to the Board
- make recommendations to the Board relating to managed care interventions
- monitor the performance of the managed care suppliers to the Fund.

**TRANSMED MEDICAL FUND
(Registration Number: 1582)**

**REPORT OF THE BOARD OF TRUSTEES (continued)
31 December 2009**

14. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998

Section 26 (7) states that, "All subscriptions or contributions shall be paid directly to a medical fund not later than three days after payment thereof becoming due". Some members have not paid their contributions within three days of the due date (three days after pay day as prescribed by the Fund Rules). The reason for this is due to the inherent nature of the business.

The Fund will apply for exemption from the Council for Medical Schemes to obtain an extension for the three day contributions rule.

Section 33 (2) states that, "The benefit options shall be self supporting in terms of membership and financial performance".

All of the Fund's benefit options incurred a deficit for the year ended 31 December 2009 and therefore the individual options may not be self supporting in the future, contradictory to the requirements of the Medical Schemes Act.

The Fund in consultation with Fifth Quadrant Actuaries and Consultants (Pty) Ltd is sourcing possible solutions and measures that will assist in ensuring the future viability of the Fund, in particular the Guardian option.


Section 59 (2) states that, "A medical scheme shall, in case where an account has been rendered, subject to the provision of this Act and the Rules of the medical scheme concerned, pay to a member or supplier any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of that benefit was received by the medical scheme".

Certain claims were settled after 30 days contradictory to the requirements of the Medical Schemes Act. Emphasis will be placed on the processes to ensure that claims are settled within 30 days.

15. THREE YEAR COMPARATIVE NOTE

As per the SAICA Medical Schemes Guide (the Guide) and IFRS, there have been instances of reclassification and restatements whereby three year disclosure has been presented in the Annual Financial Statements. This pertains particularly to:

- Miscellaneous subsidy income reclassified to net contribution income. Refer to Note 10 and 18 to the Annual Financial Statements.
- Held-to-maturity financial assets reclassified as available-for-sale financial assets. Refer to Note 3 and 4 to the Annual Financial Statements.



AM Viljoen
CHAIRMAN
BOARD OF TRUSTEES
21 April 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRANSMED MEDICAL FUND

We have audited the Annual Financial Statements of Transmed Medical Fund (the Fund) for the year ended 31 December 2009, from which the summarised Annual Financial Statements were derived as set out on pages 22 - 32, in accordance with International Standards on Auditing and in the manner required by Circular 38 of 2007 of the Medical Schemes Act of South Africa.

In our report dated 21 April 2010 we expressed an unqualified opinion on the Annual Financial Statements from which the summarised Annual Financial Statements were derived.

In our opinion, the accompanying summarised Annual Financial Statements are consistent, in all material respects, with the Annual Financial Statements from which they were derived.

For a better understanding of the Fund's financial position, the results of its operations for the year and of the scope of our audit, the summarised Annual Financial Statements should be read in conjunction with the financial statements from which the summarised Annual Financial Statements were derived and our audit report thereon.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: J van Staden
Partner
12 May 2010

Gobodo Inc.

Gobodo Incorporated
Registered Auditors
Per: D Hansjee
Partner
12 May 2010

Private Bag X6
Gallo Manor 2052
South Africa

Deloitte & Touche
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National Executive: GG Gelnik Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit
DL Kennedy Tax & Legal and Risk Advisory L Geeringh Consulting L Bam Corporate Finance CR Beukman Finance
TJ Brown Clients & Markets NT Mtoba Chairman of the Board CR Qally Deputy Chairman of the Board

A full list of partners and directors is available on request

B-BBEE rating: Level 3 contributor/AA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu

Chairman: David Moshapalo (Non-Executive)
Directors: Sathie Gounden (CEO), Vonani Chauke, Mahendra Dama, Dan Govender,
Denas Hansjee, Herman Leach, Daya Naicker, Chico Patel, Richard Rhoda,
Donovan Simpson, Moss Sindane, Mike Terheyden
Associate Directors: Bill Cinnamon, Mervyn Ferreira, Nerizha Moodley, Shaun Nel, Imre Nagy,
Derek Schraeder

TRANSMED MEDICAL FUND
(Registration Number: 1582)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Notes	2009 R'000	2008 R'000	2007 R'000
ASSETS				
Non-current assets				
Property and equipment		240	327	530
Available-for-sale investments		396 836	152 481	170 198
Held-to-maturity investments		-	364 567	536 744
		<u>397 076</u>	<u>517 375</u>	<u>707 472</u>
Current assets				
Trade and other receivables		12 082	4 152	2 845
Cash and cash equivalents		93 743	116 438	74 152
		<u>105 825</u>	<u>120 590</u>	<u>76 997</u>
Total assets		<u>502 901</u>	<u>637 965</u>	<u>784 469</u>
FUNDS AND LIABILITIES				
Total members' funds		382 373	518 685	619 719
Accumulated funds		372 083	543 569	616 512
Available-for-sale reserve		10 290	(24 884)	3 207
Current liabilities				
Outstanding claims provision	4	54 259	49 524	67 617
Savings plan liability		57 971	62 219	59 862
Trade and other payables		8 298	7 537	37 271
		<u>120 528</u>	<u>119 280</u>	<u>164 750</u>
Total funds and liabilities		<u>502 901</u>	<u>637 965</u>	<u>784 469</u>

TRANSMED MEDICAL FUND
(Registration Number: 1582)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Notes	2009 R'000	2008 R'000	2007 R'000
Net contribution income		1 204 078	1 157 574	1 146 582
Relevant healthcare expenditure		(1 281 130)	(1 166 543)	(1 200 684)
Net claims incurred		(1 251 267)	(1 193 309)	(1 173 048)
Claims incurred		(1 253 826)	(1 194 538)	(1 175 167)
Third party claims recoveries		2 559	1 229	2 119
Net (expense)/income on risk transfer arrangement		(29 863)	26 766	27 636
Risk transfer arrangement fees/premium paid		(128 336)	(181 282)	(161 257)
Recoveries from risk transfer arrangements		98 473	208 048	133 621
Gross healthcare result		(77 052)	(8 969)	(54 102)
Managed care: management services		(36 570)	(29 554)	(32 601)
Administration expenses		(105 210)	(100 050)	(104 940)
Net impairment loss on healthcare receivables		(385)	(405)	(775)
Net healthcare result		(219 217)	(138 978)	(192 418)
Other income		51 375	71 662	94 405
Investment income	2	44 580	69 710	72 343
Realised profit on available-for-sale investments	3	5 287	1 100	19 931
Sundry income		1 508	852	2 131
Other expenditure		(3 644)	(5 627)	(6 909)
Interest paid on savings accounts		(2 490)	(4 333)	(5 151)
Interest paid on current accounts		-	(2)	-
Asset management fees		(1 154)	(1 292)	(1 758)
Net deficit for the year		(171 486)	(72 943)	(104 922)
Other comprehensive income				
Fair value adjustment on available-for-sale investments		35 174	(28 091)	(3 565)
Total comprehensive income for the year		(136 312)	(101 034)	(108 487)

TRANSMED MEDICAL FUND
(Registration Number: 1582)

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

	Accumulated funds R'000	Available-for- sale reserve R'000	Total members' funds R'000
Balance as at 1 January 2007	721 434	6 772	728 206
Net deficit for the year	(104 922)	-	(104 922)
Other comprehensive income	-	(3 565)	(3 565)
Balance as at 31 December 2007	616 512	3 207	619 719
Net deficit for the year	(72 943)	-	(72 943)
Other comprehensive income	-	(28 091)	(28 091)
Balance as at 31 December 2008	543 569	(24 884)	518 685
Net deficit for the year	(171 486)	-	(171 486)
Other comprehensive income	-	35 174	35 174
Balance as at 31 December 2009	372 083	10 290	382 373

TRANSMED MEDICAL FUND
(Registration Number: 1582)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2009

	2009	2008
	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash utilised in operations	(213 463)	(138 022)
WORKING CAPITAL CHANGES		
Increase in trade and other receivables	(7 930)	(1 307)
Increase/(decrease) in trade and other payables	761	(29 735)
Increase/(decrease) in outstanding claims provision	4 735	(18 093)
(Decrease)/increase in savings plan liability	(4 248)	2 357
Finance costs	(2 490)	(4 335)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(222 635)</u>	<u>(189 135)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(27)	(93)
Sale of investments	155 386	161 804
Investment income	44 580	69 710
NET CASH INFLOW FROM INVESTING ACTIVITIES	<u>199 939</u>	<u>231 421</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(22 695)	42 286
Cash and cash equivalents at beginning of year	<u>116 438</u>	<u>74 152</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>93 743</u></u>	<u><u>116 438</u></u>

TRANSMED MEDICAL FUND
(Registration Number: 1582)

SELECTED NOTES TO THE 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 is presented in less detail than the audited financial statements. For a better understanding of the Transmed Medical Fund's (the Fund) financial position and results of its operations, the summarised financial information should be read in conjunction with Transmed's audited financial statements of the corresponding year, 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 Fund at its registered postal address.

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies have been set out in the Annual Financial Statements on pages 21 to 26. The Fund has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the accounting period beginning 1 January 2009. The adoption of these new and revised Standards and Interpretations resulted in no material changes to the Fund's accounting policies and has not materially affected the amounts reported for the current or prior years.

1.1 Risk transfer arrangements

Risk transfer premiums in terms of the capitated products are presented in the statement of comprehensive income on a cost basis according to the contract with the capitation provider. 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 contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Claim's recoveries relating to risk transfer arrangements are calculated at cost.

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 provisions, 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 Fund may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Fund will receive under the risk transfer arrangement.

TRANSMED MEDICAL FUND
(Registration Number: 1582)

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

	2009 R'000	2008 R'000
2. INVESTMENT INCOME		
Interest on cash and cash equivalents	2 483	5 506
Interest on held-to-maturity investments	-	53 843
Interest on available-for-sale investment	34 488	-
Dividends received	7 609	10 361
Investment income	<u>44 580</u>	<u>69 710</u>
Less: Fees paid to asset managers	<u>(1 154)</u>	<u>(1 292)</u>
Net investment income	<u>43 426</u>	<u>68 418</u>
3. OTHER REALISED PROFITS		
Realised profit on disposal of available-for-sale investments	<u>5 287</u>	<u>1 100</u>
	<u>5 287</u>	<u>1 100</u>
4. OUTSTANDING CLAIMS PROVISION		
Provision for outstanding claims	<u>54 259</u>	<u>49 524</u>
Analysis of movements in outstanding claims		
Balance at beginning of year	49 524	67 617
Payments in respect of prior year	(54 416)	(47 192)
Adjustment for current year	59 151	29 099
Balance at end of year	<u>54 259</u>	<u>49 524</u>
Analysis of movements in outstanding claims provision		
Estimated gross claims	57 848	51 557
Less: Estimated recoveries from:		
- Savings plan accounts	<u>(3 589)</u>	<u>(2 033)</u>
Balance at end of year	<u>54 259</u>	<u>49 524</u>

Process used to determine the assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out monthly.

There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from managed care: management services and historical evidence of the size of similar claims. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

TRANSMED MEDICAL FUND
(Registration Number: 1582)

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

4. OUTSTANDING CLAIMS PROVISION (continued)

Process used to determine the assumptions (continued)

The provision estimation difficulties are further complicated by claims complexity, volume of claims, the severity of claims, determining the occurrence date of claim and reporting lags.

The cost of outstanding claims is estimated using the Chain Ladder method, and part of the estimation is provided by actuarial valuation. Such methods extrapolate the development of paid and incurred claims, average cost per claims and ultimate claim numbers for each year based upon observed development of earlier years and expected loss ratios. 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 percentage of total claims expected, to be paid in respect of September to December 2009 by 31 March 2010, was 96.61% (2008: 95.77%).

The method used varies by the year being considered and observed historical claims development. 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 method.

Such reasons include:

- economic, legal, political and social trends (resulting in different than expected levels of inflation and/or minimum medical benefits to be provided)
- changes in composition of members and their dependants
- 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 claim ratio for the most recent benefit years for the aggregate of in-hospital, chronic and day-to-day categories of claims. These are used for assessing the outstanding claims provision for the 2008 and 2009 benefit years. The expected claims ratio for the benefit year 2009 and 2008 is 36.64% and 32.72% respectively for in-hospital, 14.24% and 14.34% respectively for chronic and 40.15% and 35.66% for day-to-day benefits.

Changes in assumptions and sensitivities to changes in key variables

All assumptions are based on actual claims experience in determining the outstanding claims provision. The Fund believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon variables and assumptions which could differ when claims arise. A retrospective review of actual claims experience is performed monthly to determine the accuracy of the outstanding claims provision.

TRANSMED MEDICAL FUND
(Registration Number: 1582)

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

4. OUTSTANDING CLAIMS PROVISION (continued)

Changes in assumptions and sensitivities to changes in key variables (continued)

Should the assumption made regarding claims to be paid vary by 5% (i.e. assuming that claims paid by 31 March 2010 represent 91.61% instead of 96.61% of claims relating to September to December 2009) the effect would be a R2 636 000 (2008: R2 576 000) increase in the claims provision and a R2 636 000 (2008: R2 576 000) increase in the current year deficit.

Outstanding claims provision – risk transfer arrangement

As indicated by the capitated provider no outstanding claims provision was considered necessary relating to risk transfer arrangements.

	2009	2008	2007
	R'000	R'000	R'000
5. NET CONTRIBUTION INCOME			
Gross contributions	1 289 223	1 248 036	1 243 530
Less: Savings contributions	(85 145)	(90 462)	(96 948)
Net contribution income	<u>1 204 078</u>	<u>1 157 574</u>	<u>1 146 582</u>

	2009	2008
	R'000	R'000
6. RELATED PARTY TRANSACTIONS		

Transactions with entities that have significant influence

Statement of comprehensive income

Metropolitan Health Group - Administration fee	80 635	77 541
Qualsa Healthcare - Managed care organisation	30 552	25 315
Access Health - Managed care organisation	6 018	4 239
Fifth Quadrant - Actuarial and consultation	2 279	2 187
Management fees - Investec	962	999
Management fees - Coronation	192	293

Statement of financial position

Administration fee due	-	-
Managed care fees due - Qualsa Healthcare	322	1 330
Managed care fees due - Access Health	494	352
Actuarial and consultation fees due	169	337
Management fees due - Investec	306	305
Prime Cure	672	785

Key management personnel

P Wassermann	Principal Officer	1 804	1 472
Board of Trustees	Remuneration and consideration expenses	1 932	1 888
Gross contributions received		575	536
Claims incurred		(602)	(563)
Savings balances		35	43

TRANSMED MEDICAL FUND
(Registration Number: 1582)

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

7. NET HEALTHCARE RESULTS FROM OPERATIONS PER BENEFIT OPTION

	State Plus Network	State Plus Own Choice	Ubuntu	Private Cover Plus Savings	Guardian	Total
2009						
Members (at the end of the year)	6 797	31 767	-	16 637	18 322	73 523
	R'000	R'000	R'000	R'000	R'000	R'000
Net contribution income	53 131	285 725	115 657	490 726	258 839	1 204 078
Net claims incurred	(35 373)	(268 770)	(80 926)	(463 800)	(402 398)	(1 251 267)
Managed care:						
management services	(1 328)	(11 830)	(2 169)	(11 529)	(9 714)	(36 570)
Net expense on risk transfer arrangements	(17 299)	-	(12 564)	-	-	(29 863)
Administration expenses	(4 863)	(25 366)	(9 631)	(43 316)	(22 034)	(105 210)
Net impairment losses:						
Trade and other receivables	(41)	(210)	56	(95)	(95)	(385)
	(5 773)	(20 451)	10 423	(28 014)	(175 402)	(219 217)

	State Plus Network	State Plus Own Choice	Ubuntu	Private Cover Plus Savings	Guardian	Total
2008						
Members (at the end of the year)	5 964	23 113	10 558	16 434	19 776	75 845
	R'000	R'000	R'000	R'000	R'000	R'000
Net contribution income	45 076	215 688	182 508	439 413	274 889	1 157 574
Net claims incurred	(27 880)	(186 474)	(189 540)	(448 020)	(341 395)	(1 193 309)
Managed care:						
management services	(1 137)	(5 446)	(4 609)	(11 856)	(6 506)	(29 554)
Expense incurred for risk transfer arrangements	(13 899)	-	40 665	-	-	26 766
Administration expenses	(3 847)	(18 398)	(15 543)	(40 281)	(21 981)	(100 050)
Net impairment losses:						
Trade and other receivables	(35)	(114)	(50)	(97)	(109)	(405)
	(1 687)	5 256	13 431	(60 481)	(95 102)	(138 978)

TRANSMED MEDICAL FUND
(Registration Number: 1582)

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

	2009 R'000	2008 R'000
8. NET EXPENSE/(INCOME) ON RISK TRANSFER ARRANGEMENT		
Premiums paid	128 336	181 282
Claims recoveries from risk transfer arrangements	<u>(98 473)</u>	<u>(208 048)</u>
Net (income)/expense on risk transfer arrangements	<u>29 863</u>	<u>(26 766)</u>

Prime Cure is a capitated provider to the Transmed Medical Fund on two benefit options, the State Plus Network and Ubuntu (terminated 30 June 2009) plans, and provides day-to-day and chronic medication services to members on these plans at a fixed fee per month. In addition, Prime Cure operates a HIV/AIDS programme for the above plans, on a fixed fee per enrolled member basis.

9. CONTINGENT ASSET

Road Accident Fund (RAF)

The Fund grants assistance to its members in defraying expenditure incurred in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act No. 56 of 1996. If a member is reimbursed by the RAF, they are legally obliged to cede that payment to the Fund to the extent that they have already been compensated.

Due to the uncertainty over the recoverability of the claims lodged by the members with the RAF a contingent asset has arisen to the value of R30 214 194 (2008: R19 615 948).

10. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998

Section 26 (7) states that, "All subscriptions or contributions shall be paid directly to a medical fund not later than three days after payment thereof becoming due". Some members have not paid their contributions within three days of the due date (three days after pay day as prescribed by the Fund Rules). The reason for this is due to the inherent nature of the business.

Transmed will apply for exemption from the Council to obtain an extension for the three day contributions rule.

Section 33 (2) states that, "The benefit options shall be self supporting in terms of membership and financial performance".

All of the Fund's benefit options incurred a deficit for the year ended 31 December 2009 and therefore the individual options may not be self supporting in the future, contrary to the requirements of the Medical Schemes Act.

The Fund in consultation with Fifth Quadrant Actuaries and Consultants (Pty) Ltd is sourcing possible solutions and measures that will assist in ensuring the future viability of the Fund, in particular the Guardian option.

**TRANSMED MEDICAL FUND
(Registration Number: 1582)**

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

10. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998 (continued)

Section 59 (2) states that, "A medical scheme shall, in case where an account has been rendered, subject to the provision of this Act and the Rules of the medical scheme concerned, pay to a member or supplier any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of that benefit was received by the medical scheme".

Certain claims were settled after 30 days contrary to the requirements of the Medical Schemes Act.

Emphasis will be placed on the processes to ensure that claims are settled within 30 days.