2010

annual report

medihelp

medical scheme

Contents

Message of the Chairman of the Board of Trustees

In my first year as the Chairman of Medihelp's Board, it is indeed a privilege to provide you with this report concerning the year under review.

In contemplating 2010 in general, the excitement of the Soccer World Cup stands out as the highlight of the year. It certainly bears testimony to the resilience of South Africans in rising to the challenge. It also emphasized the importance of servicing customers in a manner that will inspire them to advocate the many special qualities of the South African experience. Likewise, my experience of Medihelp has been that the personnel, management and the Board of Trustees share a common vision to go beyond providing cover and paying claims to a commitment to ensure that members derive optimal value for money and the certainty that they may look forward to a healthy future with Medihelp as their healthcare partner. Beyond the importance of providing excellent service, it is a fact that the level of access to private healthcare services is determined by cost, which is why Medihelp has partnered with providers of healthcare services in an effort to manage the rising cost of healthcare delivery.

It goes without saying that Medihelp continues its uncompromising commitment to deliver administrative services in the most cost-effective manner to ensure that members derive maximum value from their contributions. This is all the more challenging in view of the fact that Medihelp is currently still a self-administered, not for profit medical scheme without the luxury of alternative streams of income which administrators so aptly apply to offer various value-added, lock-in products such as life insurance. Meeting members' needs whilst remaining one of the top medical schemes in the industry does however come at a price, which Medihelp has managed to keep at competitive levels without compromising on quality. It is clear that optimal value should be derived from relationships with healthcare providers and managed care organisations in a highly interdependent industry.

It is against this complex background that Medihelp has managed to excel in 2010, with healthy growth and financial stability being the main indicators of a successful year. The Global Credit Rating Company again awarded Medihelp with an AA- (AA minus) rating for its claims-paying ability, which is one of the highest ratings in the industry. I believe that financial performance and our reputation for fast and effective claims payment will inspire confidence in not only our members but all our partners.

Building on this performance, Medihelp's main focus in 2011 besides financial stability and sustainability will be the continuous endeavour to meet our members' needs in a progressively sophisticated and costly private healthcare environment. Achieving this will require innovative thinking, progressive benefit management and a renewed focus on enhancing the service experience of our members, brokers and suppliers of healthcare services. From what has already been achieved in the first months of 2011, I can only look forward to the opportunities which lie ahead and increasing engagement with role players in the industry.

It is clear that the future holds many challenges such as National Health Insurance, the Consumer Protection Act, 2008 (Act No 68 of 2008), the implementation of the requirements of the King III report, as well as the increased fit and proper requirements in the FAIS Act regarding competency which will affect brokers and consultants alike. Making the most of electronic advances, striving to improve patient outcomes through education, preventative care and the management of excessive utilisation, as well as continuing the growth trend in members with a lower risk profile will remain imperative. In this year it was quite evident to me that Medihelp has a very successful workforce dedicated to serving the needs of members, healthcare providers and brokers. I would therefore like to thank the entire Medihelp staff for their enthusiasm and commitment in reaching our goals – I realised again why Medihelp has been voted one of South Africa's Top 500 best managed companies for the past four years.

To the members of the Board of Trustees: thank you for being willing to apply your skills, knowledge and experience to the benefit of the Scheme and its members. I cannot have asked for a better team to help me in reaching our goals. In particular I want to thank my predecessor, Hennie Koekemoer, for his continued commitment to the Board and his willingness to share his wealth of knowledge and wisdom with me and the other board members.

To Anton Rijnen, our Principal Officer and CEO, and his team of executive and senior managers: you can be proud of yet another year where Medihelp performed exceptionally well. Thank you for your farsightedness and time and effort in ensuring that Medihelp remains the esteemed medical scheme its members can rely on.

To our members: I am proud to represent one of the most responsible groups of people I have come to know. Thank you for your loyalty and trust. You are Medihelp, and I would like to impress upon you the importance of continued membership of Medihelp, especially in view of the many challenges confronting the healthcare industry. I am sure that one may find the value and cover needed within the range of benefit options which Medihelp offers, with the added assurance of the security and sustainability for which the Scheme is renowned.

Our brokers, who continuously contribute to growing our business: thank you for your role in Medihelp's success. Without your efforts, we would not have reached the significant growth among the desired profile of members that we achieved. To our healthcare providers who see to our members' health on a daily basis: thank you for your dedication and for partnering with Medihelp to ensure that our members enjoy only the best care.

Lastly but most importantly, my greatest appreciation is for the many blessings that our Father in Heaven has so amply bestowed on this Scheme, as without His blessings the Scheme would not nearly have been as successful as it has been in the last few years.

Pieter Vosloo
Chairman of the Medihelp Board of Trustees

Fact sheet

(as at 31 December 2010)

Members of Medihelp	123,797
Total lives covered	246,106
Average age of beneficiaries	40 years
Net surplus for 2010	R26.8 million
Solvency level	27.4%
Claims payment rating	AA –
Number of claims processed	3,511,284
Calls to client contact centre	948,501
Written enquiries received	305,093

Message and overview of 2010 and beyond from the Principal Officer & CEO

The environment in which medical schemes operate is complex and primarily directed by regulation and statutory requirements. It is against this background and in view of increased economic pressure and affordability that medical schemes must attempt to attract new members and improve their risk pools to remain viable and competitive. 2010 is the first year in which Medihelp succeeded in fully realising all its strategic objectives.

- The financial result of a R90.9 million deficit in 2009 has been reversed to a net surplus of R26.8 million in 2010. The Scheme's solvency ratio, expressed as a percentage of subscription income, stands at a sound 27.4%, which exceeds the minimum level of 25% as prescribed by the Medical Schemes Act, 1998 (Act No 131 of 1998).

- The Scheme's members increased by 9.9% from 112,678 principal members in 2009 to 123,797 principal members in 2010. Over and above this growth in members, members with a favourable risk profile were enrolled, as is evident from the fact that the average age of the Scheme's members decreased from 2009 to 2010 by almost 3 years, and that the pensioner ratio (members older than 65) decreased by 3% from 2009 to 2010.

- Medihelp achieved first place in terms of service to its members compared to other competitors measured.

- As employer of choice, Medihelp was again rated seventh in the Deloitte Best Company to Work For survey in 2010 for the second consecutive year. Medihelp is the only medical scheme or medical scheme administrator which has been awarded a top ten position in the small, medium or large company categories of these two surveys.

Renowned for our service and experience in the medical schemes industry, Medihelp succeeded in establishing itself as a reliable healthcare partner. We now focus on growing our business in the pursuit of ensuring the Scheme's long-term sustainability, whilst remaining consistent in our product offering and securing our members' peace of mind. Stability in terms of product offering and financial performance in an environment marked by constant change remains a challenge. We know that our success depends on the cooperation and support of our partners – the providers of healthcare services to our members and the brokers who engage with prospective and existing customers on a daily basis.

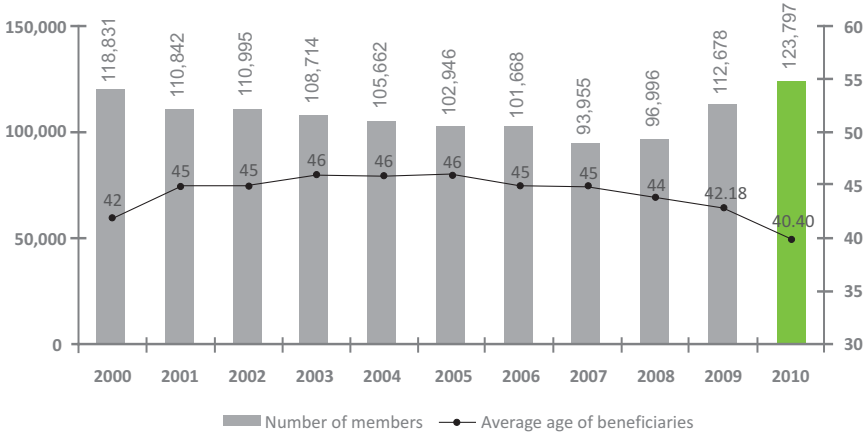
Medihelp's operational business units, consisting of Business Development, Healthcare Management, Information Technology, Marketing and Corporate Communications, Operations, and Resource Management, made a concerted effort in 2010 to realise sustainability on all levels of the business.

Sustainability through growth

In terms of developing our business, Medihelp celebrated a successful 2010. Medihelp's efforts have been focused on adjusting the product structure in order to reposition its product range and increase its competitiveness to achieve net growth, as well as reducing the average age of Medihelp's risk population as this is significantly higher than the industry average. These efforts, with the support of brokers, ensured sales results for 2010 that exceeded expectations.

Medihelp's 2010 product range was well received by the market and sales results were significantly above target: as stated, we concluded the year with a net growth of 9.9%, increasing Medihelp's membership figure to 123,797 principal members translating to more than 245,000 lives covered. This was underscored by the attraction of a lower risk profile of new members when compared to that of Medihelp's existing risk base, thereby reducing the average age of Medihelp's member profile significantly from 42.18 to 40.40 years as illustrated below.

Number of members vs. average age of beneficiaries



Source: Medihelp Finance Division

The challenge for 2011 lies in sustaining growth and financial stability, whilst at the same time maintaining consistency in our product offering in support of the retention of our current membership base through the implementation of creative risk management initiatives to manage costs.

Product sustainability and market challenges

Ensuring the long-term sustainability and stability of products are paramount to continue the positive growth trend – products need to be competitive and attractive to a discerning market. For 2011, Medihelp has introduced an additional income category to the Necesse benefit option's subscription and established a Medihelp network of service providers to provide primary care. The network, currently incorporating more than 1,500 general practitioners, continues to grow and is close to mirroring the geographical distribution of members. Medihelp considers networks to be an important part of the strategy to manage costs and utilisation. It also opens a window of opportunity to provide members with a less expensive alternative within the Medihelp product range.

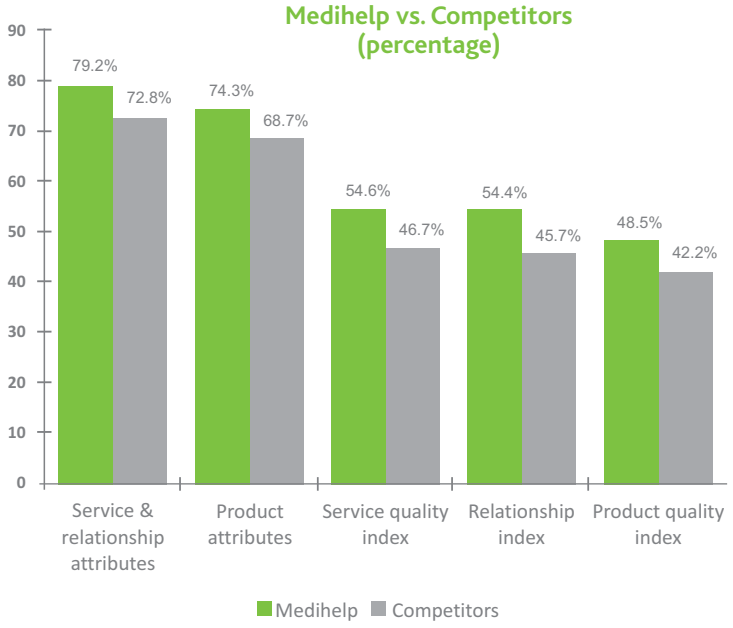
Medihelp believes that good brokers are indispensable for the success of our business. With their market exposure, outward perspective and their feedback, they help us prepare for change and also assist us in managing the risks that potentially affect our sustainability. Medihelp's sales teams and the broker industry are however faced with regulatory challenges which might influence their ability to perform optimally in 2011 and beyond.

In 2008, the Financial Services Board (FSB) increased the fit and proper requirements in the FAIS Act regarding competency. All key individuals and representatives in the financial services industry have to complete regulatory examinations (RE) based on their roles and the product sub-categories for which they are responsible. There are two levels of RE – Level I and Level II – and preparing for these exams is time-consuming and will definitely affect the performance of individual brokers.

In an endeavour to assist brokers with this process, Medihelp has engaged the services of a specialist in FAIS regulations to present training to contracted Medihelp brokers throughout South Africa. Medihelp is also making learning material available through our e-communication channels to assist brokers in preparing for these exams and has made our premises available for examinations.

Optimising customer experience

Medihelp continues to perform well in terms of customer satisfaction when compared to other schemes, as is indicated by the results of the Customer Service Index survey conducted by Consulta.



Source: Consulta

The challenge now lies in taking our service to the next level and exceeding the expectations of our members, brokers, healthcare professionals as well as prospective customers when they interact with the Medihelp brand.

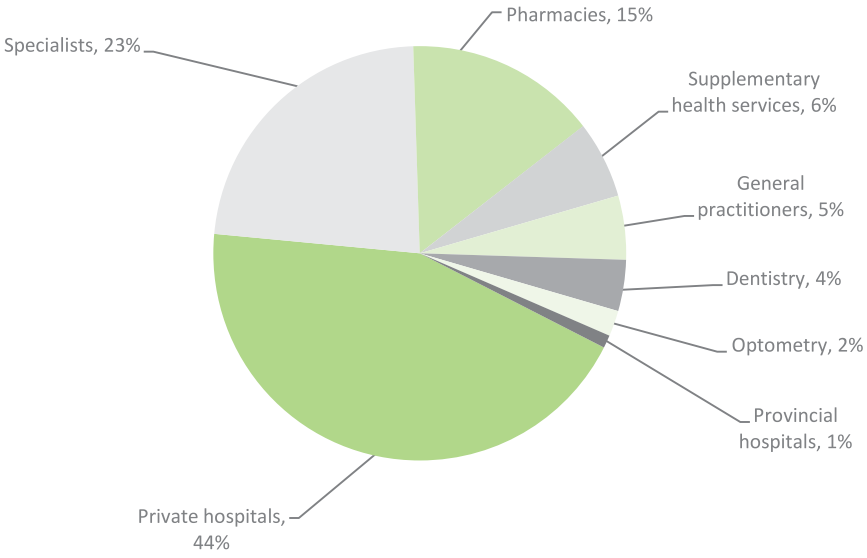
Consequently, Medihelp has invested in the implementation of a Customer Experience Management (CEM) strategy to assist us in optimising our customers' experience. We believe that optimising and managing customer experience is the key to increasing customer loyalty, promoting business growth and converting customers into loyal advocates of our business. This will be one of Medihelp's primary focus areas for 2011.

Managing benefit utilisation

To ensure the appropriate and sensible utilisation of benefits, a wide spectrum of managed care interventions are applied on all benefit options. All managed care interventions involve continuous analysis and monitoring of trends impacting on affordability, appropriateness

and outcome. Benefit expenditure increases by at least 2% for every year that a population ages, and an older population requires more healthcare services in general to maintain their health. In addition, the basket of services procured from especially private hospitals contains more expensive procedures than a comparative basket for a younger population. The following chart illustrates the distribution of benefit expenditure across all healthcare services, clearly indicating the main areas of focus for managed healthcare clinical and financial measures.

Distribution of total benefit expenditure - 2010



Source: Medihelp Health Economics Division

Hospital benefit management

As hospitalisation constitutes the highest cost in terms of total benefit expenditure, Medihelp's hospital benefit management division manages the entire process – from the moment the hospital admission is registered until the account is finalised and settled between the Scheme and the hospital. All hospital admissions are pre-registered, enabling the case manager to manage the risk of the hospital event. Pre-registration is based on clinical protocols and criteria and gives an estimate of the expected length of stay and level of care of the specific incident.

Contractual agreements are in place with hospital groups whereby they are required to update all hospital cases of which the length of stay and level of care as initially registered are exceeded. Case management is done by registered nurses who clinically validate the

additional length of stay and/or level of care requested by the hospital, based on the procedural (CPT) and diagnostic (ICD) coding, as well as clinical information provided. Extensive case management is done for patients who require assistance to provide alternatives to excessive length of stay in hospital.

All hospital claims are also subject to clinical audit which ensures that the hospital account is paid in accordance with the service delivered and codes updated during the case management process.

Pharmaceutical benefit management

Another cost driver for Medihelp is medicine for the treatment of chronic conditions, whether or not it qualifies for Prescribed Minimum Benefits. Chronic medicine applications are reviewed and authorised by MEDICHRON, Medihelp's medicine management division, in terms of clinical protocols and formularies designed to ensure that members receive the most appropriate and cost-effective treatment.

The encouragement of the use of quality generic medicines as a cost-effective alternative to patented medicine has been successful, with an increase in the percentage of beneficiaries using generic medicine from 48.1% in 2008, to 49.2% in 2009 and 50% in 2010. Generic medicine use naturally contributes to lower co-payments on medicine items and more effective use of medicine benefits.

Non-disclosure risks

Imposing waiting periods as part of members' conditions of enrolment ensures that the existing membership base is protected from the risk of new members joining the Scheme in order to claim for existing conditions, often for short periods of time only to cover impending hospital costs. To manage this risk, all members requiring hospitalisation or chronic medication within their first year of membership for a condition not declared at the date of enrolment are subject to investigation as to the possibility that these services might pertain to a pre-existing, non-disclosed condition.

The total savings realised through the investigation into non-disclosure cases and the subsequent recovery of funds to related claims resulted in almost R2.9 million in 2010.

Oncology management

Medihelp contracted the South African Oncology Consortium (SAOC), an accredited Managed Care Organisation (MCO), to assist with the management of oncology benefits.

The role of the SAOC is to update the appropriate clinical protocols regularly to ensure appropriate and cost-effective treatment options for beneficiaries suffering from cancer, and to assist Medihelp with exceptional cases – in such an event the application is referred to the SAOC's Utilisation Review Committee (URC) for their recommendation.

The Scheme observed an increase in the incidence of registered cancer cases, as well as an increase in the cost of treatment. Increased awareness and early detection of malignancies also resulted in many younger beneficiaries being treated for high-prevalence cancers, for example breast cancer in women younger than 40.

The constant development of new, advanced treatment options also contributed to a marked increase in the cost of treating cancer patients, and the cost of oncology remains a concern.

Back treatment programme

During 2010, a total of 64 patients were registered on the Document Based Care (DBC) back treatment programme, which offers an alternative to surgery for patients meeting specific clinical criteria. Of these, ten had to undergo surgical intervention. The savings on possible operations through an interdisciplinary treatment programme translate to the following:

Savings on surgical costs	R4,452,475
DBC costs	R705,813
Savings	**R3,746,662**

Partnering to manage medicine costs

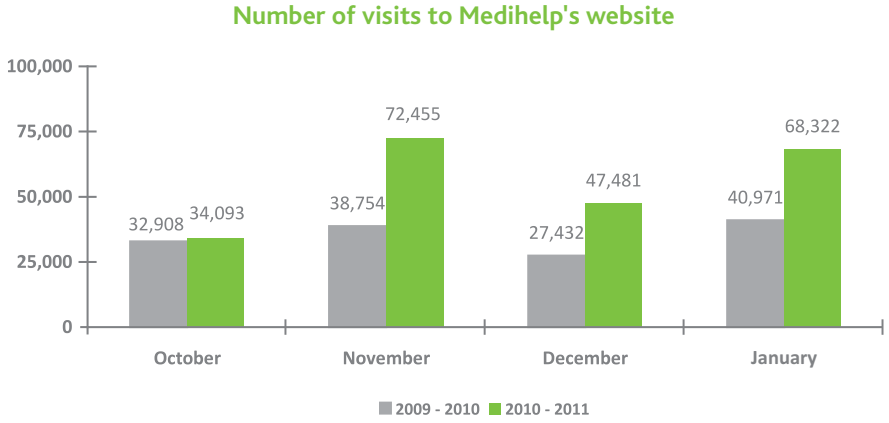
Together with the development of the network of general practitioners for the Necesse benefit option, the Scheme also established the Medihelp Preferred Pharmacy Network. This network was necessitated by the ongoing conflict between retail pharmacies and the Department of Health about the published professional fee applicable to prescription medicine, which was finally resolved by the publication of a professional fee model in 2010. In the best interest of its members, Medihelp negotiated the most cost-effective professional dispensing fee for prescription medicine with a number of individual and group pharmacies, creating the Medihelp Preferred Pharmacy Network. The network, currently including more than 1,600 pharmacies, enables members to limit co-payments on prescription medicine to the minimum, which could not be accomplished without the willingness of participating preferred pharmacies to apply the negotiated professional fee.

Enabled through technology

The challenge for all medical schemes lies in finding cost-effective yet innovative solutions to the ever-increasing demands posed by modern technology. Innovation and change need to be balanced with stability and growth while reducing costs. Medihelp considers information technology to be a business and strategic enabler, supporting the Scheme to be a process-driven rather than technology-driven business.

Revamped website

During October 2010, Medihelp launched a redesigned and more user-friendly website with a strong marketing focus. Since the Medihelp website is one of the touch points of interaction with the Medihelp brand, one of the focus areas for 2011 will be to increase the user-friendliness of the website, develop its potential as a marketing tool for Medihelp, and further increase its visibility on the Internet. Comparing the visits to the website to the previous year, it is remarkable how the new website has managed to attract more than double the number of visitors.



Source: Google Analytics

Another new feature of the website which has proven to be very popular is the online application form that allows new clients and brokers the opportunity to apply real-time online for membership of Medihelp. This enables a new applicant to complete an application form on the website and submit it directly to Medihelp via the website, which speeds up the application process significantly, even reducing it to hours in cases were no underwriting has to be performed.

During 2011, the focus will shift to the services offered on Medihelp's secured sites for members, healthcare providers and brokers, and on enhancing the functionalities available in support of providing a one-stop online service. This project will commence in 2011 and will offer online customers a more user-friendly environment with a range of new online services.

The age of electronics has also ushered in the use of mobile phones to access websites. Due to the size of screens and the limit on downloadable data, mobile computing (or mobi sites) has evolved, bringing functional, easy-to-access websites to mobile phone Internet users. During 2011, a mobi site will be added to Medihelp's online services.

Electronic communication

Hand-in-hand with the increased Internet capabilities of our potential and existing members is the drive to increase electronic communication to e-mail enabled members. This is a fast and extremely cost-effective manner of communication preferred by a significant percentage of members.

"Living With" series

Another major milestone in 2010 was the completion of the last episodes in the "Living With" series, with the introduction of the remaining episodes to the market in 2010. The "Living With" series was also the inspiration for a kykNET discussion programme, "'n Lewe met". The programme was presented by the well-known presenter, Ruda Landman. Positive feedback from the public and the medical sector in particular resulted in the series being aired again in 2011 and a second series with new topics being commissioned by kykNET for the latter part of 2011. Medihelp will once again be involved in producing the series.

A website, www.medihelplivingwith.co.za to market the "Living With" series was also developed where users can obtain more information on the series and place online orders.

Community involvement

Medihelp has been supporting the Darling Trust since 2009. The first project undertaken as part of this initiative, which focuses on the needs of residents in the Darling area in the Western Cape, was to build a healthcare, education and sports centre. This project involves the entire community and is a model developed to promote sustainable social transformation through sport and education. During the first phase of the project, a community swimming pool was built – the first in Darling – and completed in February 2010, much to the delight of the many children attending the opening ceremony.

Contributions to the Medihelp Tekkie Relay in aid of children with epilepsy and special educational needs, the Red Cross War Memorial Children's Hospital burns unit and the Somerset Hospital recovery unit formed part of other initiatives supported by Medihelp during 2010.

Medihelp's Corporate Social Investment (CSI) strategy will continue to focus on funding programmes and projects that offer communities access to health and wellbeing.

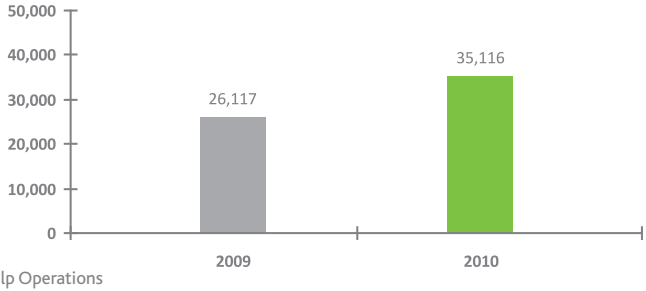
New advertising campaign

During 2010, a new advertising campaign was launched linking unique imagery to Medihelp's corporate identity that was duplicated on all marketing channels. A new television advertisement to increase brand awareness was also produced and broadcast during the course of the year on various channels. During 2011 these campaigns will be aligned with the customer experience strategy to ensure synergy.

Operational efficiency

The year under review presented numerous challenges from an operations point of view. Increased interest in Medihelp's product range resulted in the Scheme receiving almost 35% more applications for membership in 2010 than was the case in 2009.

Number of applications for membership received

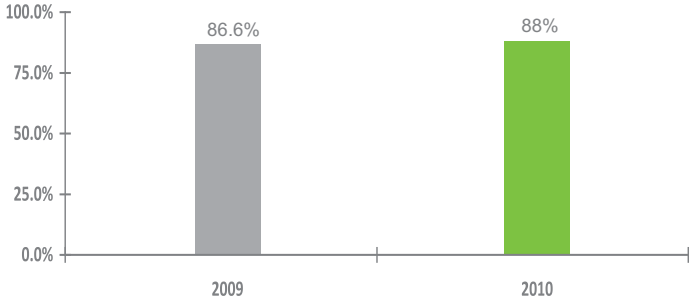


Source: Medihelp Operations

The subsequent growth in member figures and the fact that Medihelp started managing secondary (specialist) and tertiary (hospital) services for members of the Necesse benefit option had the Customer Care and correspondence divisions pull out all stops to accommodate the increased number of telephone calls, e-mails, faxes and letters from members and healthcare professionals.

During 2010, Medihelp received over 3.5 million claims, of which more than 88% were received and processed electronically, as opposed to 86.6% in 2009. On average, claims (electronic as well as printed claims) were assessed and ready for payment within 5.1 calendar days.

Percentage of claims electronically received and processed



Source: Medihelp Operations

Disposal of Medihelp's administrative component

It is well known that members at the Annual General Meeting of 2003 approved that the administrative component of Medihelp be sold to the management of Medihelp and a black empowerment group in order to enable the Scheme to also compete strategically with other administrators and medical schemes. At subsequent annual general meetings, members were provided with feedback in this regard, and members confirmed this strategy during the 2010 Annual General Meeting.

The sale of Medihelp's administrative component continues to be of strategic importance to enable Medihelp to compete in the medical schemes industry, as well as in view of the proposed National Health Insurance system which is expected to present administration opportunities. The transaction could to date not be implemented for a variety of reasons, most important of which was legislation. One of the barriers has been the responsibility of the employer with regard to the provision of medical subsidy following retirement which complicated the transaction but has since been resolved. A new black empowerment partner has since been engaged and they have already discussed the transaction with the Registrar of Medical Schemes. Aside from the price of the sale, for which the Board of Trustees instructed an independent valuation of the current value of the Scheme's administrative component, the shareholding and provisions as approved by the 2003 Annual General Meeting will be complied with. It is envisaged that the transaction will be implemented effective from 1 January 2012.

2011 will also be a challenging year for Medihelp to attain the set strategic objectives, but Medihelp looks forward to these challenges and hopes to achieve the same success as in the past.

Appreciation

We give the honour for Medihelp's achievements to God who leads and blesses this organisation. He remains the most important "Me" in Medihelp. We salute the Board of Trustees, management and personnel for their talents, sacrifice, hard work and perseverance, as well as Medihelp's members, the suppliers of healthcare services and brokers for their loyalty and support which resulted in Medihelp's achievements in 2010.

Anton Rijnen
Principal Officer & CEO

Report of the Board of Trustees

The Board of Trustees hereby presents its report for the year ended 31 December 2010 as follows:

1. Description of the medical scheme

1.1 Terms of registration

Medihelp is a self-administered not for profit open medical scheme registered in terms of the Medical Schemes Act, 1998 (Act No 131 of 1998) (the Act) as amended with reference number 1149.

1.2 Insurance contract options within Medihelp

Medihelp offered seven insurance contract options to employees of participating employers and members of the public during the period under review. These were:

- Medihelp Plus
- Dimension Elite
- Dimension Prime 3
- Dimension Prime 2
- Dimension Prime 1
- Necesse
- Unify

1.3 Savings plan

Members who belong to the Dimension Prime 2 insurance contract option pay an agreed sum of approximately 20% of their gross contributions into a savings plan so as to help pay the members' portion of healthcare costs, up to a prescribed threshold.

All unexpended savings plan amounts are accumulated for the long-term benefit of the member. No interest is paid on the credit balances, nor is any interest raised on debit balances and no administration cost is charged against the savings plan.

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

Savings plan contributions are refundable when a member leaves the scheme or transfers to an option within the scheme which does not offer a savings plan. The money will be transferred to the member within six months of the date of the change.

1.4 Risk transfer arrangements

Medihelp does not make use of commercial reinsurance cover and carries all risks out of accumulated funds. This decision was taken after an actuarial model was used to determine the need for reinsurance cover and it was found not to be necessary in view of the size of the Scheme. Commercial reinsurance cover would have resulted in an unjustifiable net expense for the Scheme.

Medihelp however entered into capitation agreements with several service providers to provide certain benefits. These agreements are with Netcare 911, Prime Cure, UDIPA, Denis and PPN.

Further details regarding the nature, terms and conditions of these risk transfer arrangements can be seen in note 16 to the consolidated financial statements.

2. Management

2.1 Board of Trustees in office during the year under review (in alphabetical order)

Mr EJ du Preez		
Dr LM du Toit		Term of office expired on 30 June 2010.
Mr JC Klopper		Elected on 30 June 2010.
Mr HJ Koekemoer		Chairman until 30 June 2010.
Ms EM Malan		
Prof MJ van Staden	Vice-chairman	Re-elected on 30 June 2010.
Mr PJ Vosloo	Chairman	Elected by the members of the Board of Trustees as chairman on 30 June 2010.

A quorum was present for all meetings held during 2010.

All Medihelp's current trustees were elected by members. The term of office of Mr EJ du Preez and Ms EM Malan expires on 23 June 2011.

2.2 Principal Officer

Mr AO Rijnen	Principal Officer and CEO of Medihelp Managing Director of MediMarketing (Pty) Ltd

2.3 Registered office address and postal address

84 Beatrix Street	PO Box 26004
Arcadia	Arcadia
Pretoria	0007
0083	

2.4 Medical scheme administrator during the year

Medihelp is a self-administered scheme.

2.5 Investment managers during the year

Investments are managed by skilled personnel of Medihelp while the Allan Gray Life Domestic Balanced Portfolio is managed by Allan Gray Life Ltd and the SIS Flexible Fund is managed by acsis.

Allan Gray Life Ltd
2nd Floor
Granger Bay Court
Beach Road
V&A Waterfront

PO Box 51318
V&A Waterfront
Cape Town
8002

Financial Services Provider Number: 6663

acsis
6th Floor
The Terraces
25 Protea Road
Claremont
7708

PO Box 44604
Claremont
7735

Financial Services Provider Number: 588

2.6 Auditors

PricewaterhouseCoopers Inc
32 Ida Street
Menlo Park
0102

PO Box 35296
Menlo Park
0102

3. Review of the accounting period's activities

General information

Medihelp Medical Scheme is an open medical scheme, registered under the Medical Schemes Act, 1998 (Act No 131 of 1998) as amended.

Medihelp Medical Scheme provides cover for types of services that are categorised under core benefits and day-to-day services, of which the levels of cover differ per insurance contract. Types of services that qualify for core benefits include hospitalisation, prosthesis components, private nursing, emergency evacuation, blood transfusion, renal dialysis, technologist services, oxygen and oncology. Types of services that qualify for day-to-day benefits include general practitioners, specialists, radiology, pathology, dental services, physiotherapy, optical services, medical appliances, surgical appliances, orthopaedic appliances, non-chronic and chronic medicine and supplementary health services out of hospital.

3.1 Results of operations

The results of the year's activities are clearly set out in the consolidated financial statements and the Board of Trustees believes no further clarification is needed.

3.2 Solvency ratio

Total members' funds per consolidated statement of financial position	
Less: Available-for-sale fair value reserve	
Fair value adjustment at date of transition to IFRS for property, plant and equipment included in the accumulated funds	
Accumulated funds per Regulation 29 of the Medical Schemes Act, 1998 (Act No 131 of 1998) as amended	
Gross contributions	
Solvency ratio	

3.3 Operational statistics per insurance contract

Average number of members during the accounting period
Number of members at the end of the accounting period
Average number of beneficiaries during the accounting period
Number of beneficiaries at the end of the accounting period
Dependants per member at the end of the accounting period
Average net contributions per average beneficiary per month
Relevant healthcare expenditure as a percentage of net contributions
Relevant healthcare expenditure per average beneficiary per month
Non-healthcare expenses as a percentage of net contributions *
Non-healthcare expenses per average beneficiary per month
Average age of beneficiaries
Pensioner ratio (beneficiaries > 65)
Average accumulated funds per member at the end of the accounting period **
Return on investments as a percentage of investments

* Non-healthcare expenses include administration expenditure, managed care: management services, broker service fees and net impairment losses.
** Accumulated funds are not distributed per insurance contract.

	Group		Scheme	
	2010 R	2009 R	2010 R	2009 R
	1,162,446,303	1,110,563,039	1,162,349,966	1,110,397,878
	(105,484,167)	(80,354,067)	(105,484,167)	(80,354,067)
	(16,290,109)	(16,290,109)	(16,290,109)	(16,290,109)
	1 ,040,372,027	1,013,918,863	1,040,575,690	1,013,753,702
	3,797,744,170	3,221,220,381	3,797,744,170	3,221,220,381
	27.40%	31.48%	27.40%	31.47%

For the year ended 31 December 2010							
Medihelp Plus	Dimension Elite	Dimension Prime 3	Dimension Prime 2	Dimension Prime 1	Necesse	Unify	Total
29,034	28,265	22,517	10,570	9,005	17,412	3,237	120,040
27,792	27,555	23,885	10,950	9,606	20,677	3,332	123,797
38,253	54,315	55,378	24,540	20,834	33,036	10,927	237,283
36,399	52,705	58,796	25,529	22,121	39,433	11,123	246,106
0.31	0.91	1.46	1.33	1.30	0.91	2.34	0.99
3,426.54	1,449.29	916.15	640.42	553.28	525.08	692.87	1,317.79
84.1%	99.2%	92.6%	87.7%	84.8%	103.3%	85.8%	90.6%
2,880.59	1,437.50	848.48	561.54	469.15	542.25	594.59	1,193.60
10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%
372.15	157.58	99.75	69.80	60.27	57.34	75.45	143.32
69	46	31	34	34	29	24	40
70.8%	21.8%	6.1%	9.9%	8.1%	3.4%	1.7%	19.0%
N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,406
N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.9%

Average number of members during the accounting period
Number of members at the end of the accounting period
Average number of beneficiaries during the accounting period
Number of beneficiaries at the end of the accounting period
Dependants per member at the end of the accounting period
Average net contributions per average beneficiary per month
Relevant healthcare expenditure as a percentage of net contributions
Relevant healthcare expenditure per average beneficiary per month
Non-healthcare expenses as a percentage of net contributions *
Non-healthcare expenses per average beneficiary per month
Average age of beneficiaries
Pensioner ratio (beneficiaries > 65)
Average accumulated funds per member at the end of the accounting period **
Return on investments as a percentage of investments

* Non-healthcare expenses include administration expenditure, managed care: management services, broker service fees and net impairment losses.
** Accumulated funds are not distributed per insurance contract.

For the year ended 31 December 2009							
Medihelp Plus	Dimension Elite	Dimension Prime 3	Dimension Prime 2	Dimension Prime 1	Necesse	Unify	Total
32,631	29,451	17,380	10,198	7,811	8,885	3,302	109,658
31,432	28,928	18,538	10,691	8,582	11,360	3,147	112,678
43,989	57,264	43,205	23,637	17,926	16,244	11,121	213,386
42,060	55,925	46,043	24,900	19,755	20,940	10,617	220,240
0.34	0.93	1.48	1.33	1.30	0.84	2.37	0.95
2,766.36	1,253.48	809.44	573.11	495.26	472.17	596.76	1,242.69
94.4%	97.8%	89.9%	97.0%	83.2%	101.1%	91.9%	94.6%
2,611.63	1,225.93	727.96	555.71	411.91	477.30	548.69	1,175.85
11.2%	11.2%	11.3%	11.3%	11.3%	11.4%	11.3%	11.2%
309.27	140.77	91.34	64.97	55.91	53.99	67.53	139.55
68	46	33	35	34	30	25	43
68.7%	21.9%	6.8%	11.1%	8.5%	3.5%	1.9%	22.5%
N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,997
N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.6%

3.4 Reserve accounts

Movements on the members' funds are clearly set out in the Consolidated Statement of Comprehensive Income in the consolidated financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of Medihelp.

3.5 Outstanding claims

The basis of the calculation and the movement of the outstanding claims provision is discussed in note 10 to the consolidated financial statements and is consistent with prior years. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of Medihelp.

3.6 Reporting in terms of IFRS

The Board of Trustees applied all the applicable requirements of IFRS and the Medical Schemes Act, 1998 (Act No 131 of 1998) as amended, in the consolidated financial statements.

4. Investment strategy of Medihelp

The Scheme'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 mandate given by the Board of Trustees to the Investment Committee is to invest surplus funds in accordance with risk-minimising measures at institutions offering the highest possible returns. The Scheme invested in fixed deposits and placed a long-term investment with investment managers during 2006. This investment policy is reviewed on a regular basis, taking into consideration compliance with the Act, the risk and returns of the various investment instruments and the surplus of funds available.

Medihelp has the following investments in wholly-owned subsidiaries:

MediMarketing (Pty) Ltd
MediMarketing is a marketing company that manages the recruitment of new members and the retention of Medihelp's existing members. MediMarketing managed the loyalty programme which was discontinued on 30 September 2009. MediMarketing's registered offices are situated on Medihelp's premises.

MEDICHRON (Pty) Ltd
MEDICHRON is a chronic pharmaceutical benefit management company which is dormant and therefore it is not consolidated. MEDICHRON's registered offices are situated on Medihelp's premises.

5. Actuarial/statistical services

Medical schemes, like Medihelp, do not by definition have long-term liabilities to members, which is why the Board of Trustees is of the opinion that an actuarial valuation of the Scheme is not required. The role of actuaries at medical schemes is mainly to enhance risk management measures. Medihelp therefore uses a statistical company named Arche Risk Management Specialists to provide the Scheme with reliable short-term estimates of outstanding claims. They also assist Medihelp with the calculation of contribution tables.

Medihelp uses actuarial valuations in determining its liability regarding post-retirement employee benefits according to IAS 19.

Arche Risk Management Specialists
26 Baker Street
Rosebank
2196

PO Box 3372
Parklands
2121

Momentum Specialised Insurance
268 West Avenue
Centurion
Gauteng
0157
Financial Services Provider Number: 6405

PO Box 7400
Centurion
0046

Simeka Consultants & Actuaries (Pty) Ltd
Menlyn Woods Phase 2
Sprite Avenue
Faerie Glen
0043
Financial Services Provider Number: 13900

Private Bag x137
Halfway House
1685

6. Fidelity cover

Adequate fidelity cover exists in terms of the Medical Schemes Act, 1998 (Act No 131 of 1998) as amended.

7. Events after statement of financial position date

During 2011, Medihelp approached a life insurance company to initiate a life insurance product with which it could limit its exposure to the post-retirement medical benefit liability it provides for employees. Of the 38 retired employees, 30 agreed to the proposed offer and the corresponding R21.4 million was paid to the insurance company during February 2011. With this proposal, those retired employees who agreed, received an individual annuity policy in their name to the value as determined by an actuary. Medihelp continues to carry the risk and liability of those retired employees that accepted the proposed offer to remain in the fund.

Medihelp also presented an option to all the active employees who qualified for the post-retirement medical benefit. The three options available entailed a cash offer, a transfer of the amount to Medihelp's pension fund or the benefit to remain the same. The amount was determined by an actuary and the minimum amount on offer per employee was R10,000. 21 employees accepted the offer of remaining in the scheme and Medihelp still carries the risk and liability of those employees. An amount of R26.8 million was paid either in cash or to Medihelp's pension fund.

8. 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.

9. Related party transactions

Related party transactions are disclosed in note 25 to the consolidated financial statements.

Trustee remuneration is disclosed in note 31 to the consolidated financial statements.

10. 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, two of whom are members of the Board of Trustees and are not executive officers of Medihelp. The majority of the committee, including the chairman, are not officers of Medihelp. The committee met on three occasions during the course of the year:

9 February 2010
20 April 2010
1 September 2010

The meetings were attended by all members of the committee.

The members of the Board of Trustees of Medihelp, relevant senior management and the external auditors 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 Medihelp's accounting policies, internal control systems and financial reporting practices. The external and internal auditors formally report to the committee on critical findings arising from audit activities.

Fraud reporting channels are in place where fraud by members, service providers and brokers can be reported. These reports are dealt with in terms of the Medihelp Fraud Policy.

At year-end the committee comprised of: JFJ Scheepers (Chairman), MJ Brown, HJ Koekemoer, C du Toit and PJ Vosloo.

11. 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 three members who are members of the Board of Trustees and are not executive officers of Medihelp. The committee met on three occasions during the course of the year:

20 April 2010
1 September 2010
10 November 2010

The meetings were attended by all members of the committee.
The primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the investment policy of Medihelp.

At year-end the committee comprised of: EJ du Preez (appointed 8 June 2010), MJ van Staden (Chairman) and PJ Vosloo.

12. Rule Committee

A rule 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 four members who are members of the Board of Trustees and are not executive officers of Medihelp and possess in-depth knowledge of Medihelp's philosophy with regard to the Rules, the history of the Rules and the Scheme's operational processes and activities. Due to the implications of the Rules on the functioning of the Scheme and the liabilities that Medihelp can incur in this regard, the rule committee will co-opt persons with legal, financial and other expertise. The committee met on two occasions during the course of the year:

19 April 2010
4 November 2010

The meetings were attended by all members of the committee.

The primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the Rules of Medihelp.

At year-end the committee comprised of: EJ du Preez (Chairman), HJ Koekemoer, EM Malan and MJ van Staden. Other Board of Trustee members could also attend the meetings. The meeting held on 4 November 2010 was also attended by PJ Vosloo.

13. Remuneration Committee

A remuneration 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 four members, two of whom are members of the Board of Trustees and not executive officers of Medihelp. The committee met on three occasions during the course of the year:

19 April 2010
31 August 2010
4 November 2010
These meetings were attended by all members of the committee.

The primary responsibility of the committee is to assist the Board of Trustee members in carrying out their duties relating to the remuneration of Medihelp employees and the Board of Trustees. The Scheme's remuneration policy is aimed at remunerating personnel and the Board of Trustee members on market-related levels considering Medihelp's financial ability.

At year-end the committee comprised of: A van Wyk (Chairman), EM Malan, JC Klopper (appointed 8 June 2010) and L Grubb. Other Board of Trustee members could also attend the meetings. The meeting held on 4 November 2010 was also attended by PJ Vosloo.

14. Trustees of Medihelp Pension Fund

The Board of Trustees of Medihelp appointed three senior employees to represent the employer on the Board of Trustees of the pension fund and a further three members were elected from the ranks of Medihelp's employees who are also members of the pension fund. The Trustees met on three occasions during the course of the year:

17 March 2010
25 June 2010
28 October 2010

These meetings were attended by all trustees.

At year-end the Trustees were: AO Rijnen (Chairman), DE Klue, B Hertzog, JJ van Eeden, C Agenbach, GJ Wagner.

15. Product Committee

A product 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 six members who are members of the Board of Trustees and not executive officers of Medihelp. The committee met twice during the course of the year:

22 July 2010
26 August 2010

The meetings were attended by all members of the committee.

At year-end the committee comprised of: EM Malan, MJ van Staden, HJ Koekemoer (Chairman), EJ du Preez, PJ Vosloo and JC Klopper (appointed 8 June 2010).

16. Board of Trustees and sub-committee meeting attendance and remuneration

The following schedule sets out the attendance at meetings of the Board of Trustees and attendance by members of sub-committees of the Board of Trustees. Trustee remuneration is disclosed on page 32 and in note 31 to the consolidated financial statements.

Trustee/Sub-committee member	Scheduled board meetings	Special board meetings	Audit committee meetings	Investment committee meetings	Product committee meetings	Remuneration committee meetings	Rule committee meetings
Number of meetings for the year	5	1	3	3	2	3	2
Trustees							
EJ du Preez	5	1		2	2		2
LM du Toit	3			1			
JC Klopper	2	1			2	2	
HJ Koekemoer	5	1	3		2	1	2
EM Malan	5	1			2	3	2
MJ van Staden	5	1		3	2		2
PJ Vosloo	5	1	3	3	2		
Independent members							
MJ Brown			3				
C du Toit			3				
L Grubb						3	
JFJ Scheepers			3				
A van Wyk						3	

17. Post retirement employee benefits

An annual actuarial valuation of Medihelp's pension fund showed a net surplus of R2,941,000. Medihelp has not acknowledged this surplus in the consolidated financial statements as this accrues to the pension fund.

18. Non-compliance with the Medical Schemes Act

18.1 In terms of Regulation 30(1) and Annexure B of the Medical Schemes Act, 1998 (Act No 131 of 1998) as amended, the maximum percentage of aggregate fair value of liabilities for investments in unlisted shares is 2.5%. Due to the substantial increase in the fair value of Curamed Holdings Limited, Medihelp exceeds this limitation but the cost of the investment still falls within the 2.5% requirement. However, Medihelp's Board of Trustees classified this as a long-term strategic asset that will not be sold in the short term.

18.2 In terms of Regulation 30(1) and Annexure B of the Medical Schemes Act, 1998 (Act No 131 of 1998) as amended, a medical scheme may not have investments in preference and ordinary shares in companies excluding shares in property companies in territories outside the Republic. Due to the unbundling of Remgro and Richemont (The Rembrandt Group) Medihelp held BTI shares (which are inward invested shares outside the Republic) from 28 October 2008. The Council for Medical Schemes provided exemption for this investment until October 2012.

18.3 In terms of Section 26(7) of the Medical Schemes Act, 1998 (Act No 131 of 1998) as amended, all subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due. In this regard rule 18(10) of the Rules of Medihelp stipulate that the Board of Trustees must take all reasonable steps to ensure that contributions are paid timeously to Medihelp in accordance with the Act and the Rules. In order to give effect to this stipulation, Rule11(6) determines the manner in which arrear subscriptions are dealt with. However, with regard to the application of Section 26(7) of the Medical Schemes Act, 1998 it is important to note that Medihelp has no control over the timely payment of subscription to the Scheme. This issue was raised with the Registrar of Medical Schemes and Medihelp has received written confirmation from the Council for Medical Schemes that the legal obligation lies with the member/employer to pay subscription within the prescribed period.

18.4 In terms of Section 33(2) of the Medical Schemes Act, 1998 (Act No 131 of 1998) as amended, each insurance contract option shall be self-supporting in terms of membership and financial performance and shall be financially sound. The Dimension Elite, Dimension Prime 3 and Necesse insurance contracts options operated at a deficit for the year ended 31 December 2010. Medihelp utilised some of its reserves during 2010 that resulted in the deficit as communicated to the Council for Medical Schemes while this course of action was not followed in the 2011 budget.

PJ Vosloo
CHAIRMAN

MJ van Staden
VICE-CHAIRMAN

Trustees' Remuneration

2010	Services as trustee R	Sub-committee fees R
HJ Koekemoer	63,830	73,682
EJ du Preez	49,355	62,113
LM du Toit	28,695	12,791
PJ Vosloo	59,777	81,562
EM Malan	49,355	52,604
MJ van Staden	61,806	61,820
JC Klopper	20,660	26,631
	333,478	371,203

2009	Services as trustee R	Sub-committee fees R
EJ du Preez	55,962	36,818
LM du Toit	55,962	54,273
PJ Vosloo	55,962	35,242
R Gerritzen	26,667	-
JD Gouws	26,667	-
HJ Koekemoer	84,768	59,125
EM Malan	55,962	51,996
JJ Stander	26,667	31,123
MJ van Staden	70,668	45,037
	459,285	313,614

Travel and accommodation R	Telephone expenses R	Training R	Total considerations R
53,635	5,972	19,651	216,770
32,227	1,200	-	144,895
56,530	600	-	98,616
88,753	3,285	-	233,377
85,131	4,052	19,670	210,812
-	1,200	-	124,826
-	600	-	47,891
316,275	16,909	39,321	1,077,186

Travel and accommodation R	Telephone expenses R	Training R	Total considerations R
14,492	1,045	-	108,317
119,443	-	-	229,678
72,924	-	-	164,128
14,563	-	-	41,230
357	-	-	27,024
9,400	5,354	-	158,647
60,600	2,524	-	171,082
54,095	3,650	-	115,535
3,690	-	-	119,395
349,564	12,573	-	1,135,036

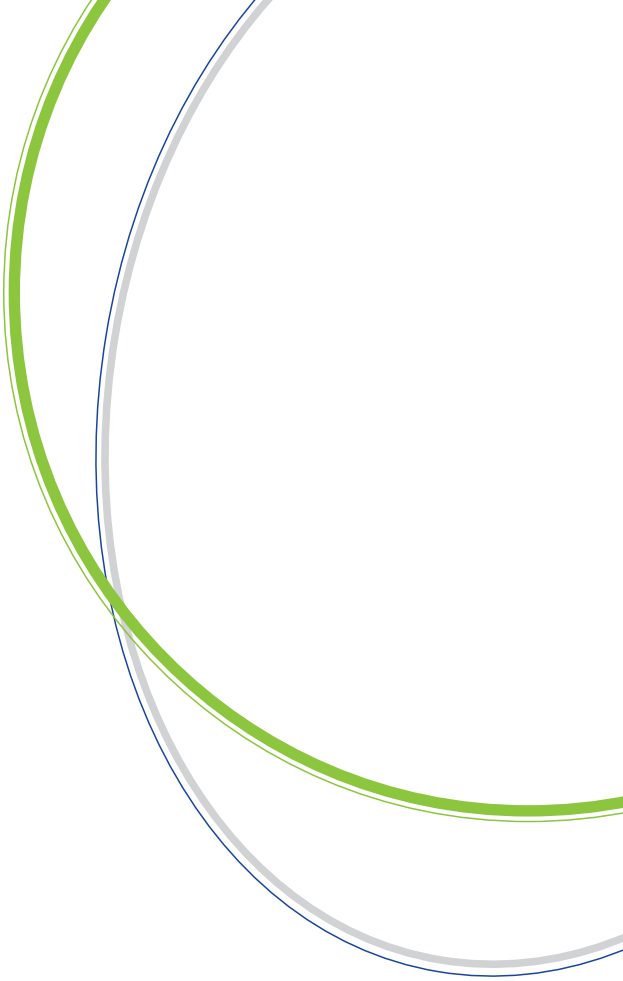
Agenda for the Annual General Meeting

The agenda for Medihelp's AGM which will be held in the Diamond Auditorium of the CSIR International Conference Centre, Meiring Naudé Road, Brummeria, Pretoria on Thursday, 23 June 2011 at 15.00, is as follows:

1. Opening
2. Issuing of ballot papers to proxies
3. Appointment of Medihelp's external auditors for 2011
4. Election of two members to the Board of Trustees
5. Proposed motion received from a member
6. Rule amendments proposed by the Board of Trustees
7. Approval of the minutes of the AGM held on 30 June 2010
8. Matters arising from the minutes of the previous AGM
   - 8.1 Item 10: Disposal of Medihelp's administrative component as approved by the Annual General Meeting
9. Annual report
10. Financial statements as at 31 December 2010
11. Input from the 2011 regional information sessions for the AGM
12. Announcement of the voting results
13. Closing

Notes

Notes



medihelp head office
84 beatrix street, pretoria, po box 26004, arcadia, 0007

client service: 086 0100 678 / fax: 012 336 9540
www.medihelp.co.za / medihelp@medihelp.co.za

fraud line
tel: 012 334 2428 / fax: 012 336 9538
fraud@medihelp.co.za