

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF



WILL BE HELD ON FRIDAY, 4 JUNE 2010 AT 10:00 AT THE TRAINING CENTRE,
I & J SOUTHARM, WATERFRONT.

AGENDA

1. To read the notice convening the Annual General Meeting
2. To confirm and sign the minutes of the Annual General Meeting held on Thursday, 18 June 2009
3. To receive the Chairperson's report and Annual Financial Statements for the year ended 31 December 2009 and adopt the audited Annual Financial Statements for the year ended 31 December 2009
4. To appoint the auditors for the ensuing year
5. Election of two Member-elected Trustees and two Alternate Trustees
 - i. Nominations must be returned to the Principal Officer seven (7) days prior to the Annual General Meeting; cut-off date: 28 May 2010
 - ii. Announcement of nominations received for the Member-elected Trustees
 - iii. Voting for the two Member-elected Trustees and two Alternate Trustees
6. General
 - i. All matters pertaining to the Scheme must be submitted in writing seven (7) days prior to the Annual General Meeting
 - ii. Cut-off date: 28 May 2010
7. Close

By order of the Board

ALIDA SPRAGUE (MS)
PRINCIPAL OFFICER

CAPE TOWN
MAY 2010

MINUTES OF THE 2009 ANNUAL GENERAL MEETING

A full set of the minutes of the Annual General Meeting of Fishing Industry Medical Scheme, held on 18 June 2009, is available on request.

**FISHING INDUSTRY MEDICAL SCHEME
CHAIRPERSON'S REVIEW**

Fishing Industry Medical Scheme remains financially sound and performed well during 2009 with a solvency ratio of 154.84% (2008: 156.66% as at 31 December 2009).

What is of concern to the Scheme is the reduction in the number of registered members. At year end 838 members were registered, whereas at the end of 2008, 929 members were registered. The Scheme is and will continue its marketing strategy of increasing the number of registered members, but given the current economic climate and the nature of the industry, this may pose to be an arduous task.

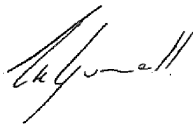
The Scheme announced an average contribution increase of 12.8% on its options for 2010, with inflationary increases on most of the benefit categories.

As communicated at the 2009 Annual General Meeting, the Scheme has received further exemption from the Council for Medical Schemes for prescribed minimum benefits until 31 December 2014.

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

On behalf of Fishing Industry Medical Scheme, I would once again like to express my thanks to all the members for their contributions and ongoing active participation in the Scheme, to the Board of Trustees, the Principal Officer and her assistant and to Qualsa and Metropolitan Health Group for their assistance and support over the past year.

The Board of Trustees aims to continue ensuring that the Scheme provides its members with affordable healthcare cover and encourages you and your dependants to continue managing your benefits responsibly.



CHARMAINE GUNNELL (MS)
CHAIRPERSON

MAY 2010

**FISHING INDUSTRY MEDICAL SCHEME
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2009**

BOARD OF TRUSTEES' RESPONSIBILITY STATEMENT

The Trustees of Fishing Industry Medical Scheme are responsible for the preparation and fair presentation of the Annual Financial Statements, comprising the statement of financial position at 31 December 2009, the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards. The Trustees are also responsible for the other information included in the annual report for both its accuracy and its consistency with the financial statements.

The Trustees' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

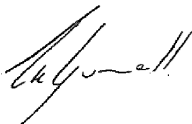
The Trustees' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Trustees have made an assessment of the Scheme's ability to continue as a going concern and have no reason to believe the Scheme will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the Annual Financial Statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the Annual Financial Statements

The Annual Financial Statements for the year ended 31 December 2009, set out on pages 13 to 39, were approved by the Board of Trustees and are signed on its behalf by:



Ms C Gunnell
Chairperson



Ms ML Harry
Trustee



Ms A Sprague
Principal Officer

15 April 2010

**FISHING INDUSTRY MEDICAL SCHEME
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2009**

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Fishing Industry Medical Scheme (the Scheme) is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Trustees are proposed and elected by the members of the Scheme and the employers.

Board of Trustees

The Trustees meet regularly and monitor the performance of the Administrator. 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 Scheme.

INTERNAL CONTROLS

The Administrator of the Scheme maintains internal controls to provide reasonable assurance as to the integrity and reliability of the 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.



Ms C Gunnell
Chairperson



Ms ML Harry
Trustee



Ms A Sprague
Principal Officer

15 April 2010

FISHING INDUSTRY MEDICAL SCHEME REPORT OF THE BOARD OF TRUSTEES

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

Registration number: 1271

1. MANAGEMENT

1.1 Board of Trustees in office during the year under review:

Employer Trustees

C Gunnell (Chairperson)	
A van der Merwe	Resigned on 31 March 2009
D Ocks	
ML Harry	
L Ngauzele	Appointed on 27 August 2009

Member Trustees

G Christie (Vice-chairperson)	
G Erasmus	
D Olivier	
J Pieterse	Resigned on 17 February 2009
S Waluwalu	Appointed on 18 June 2009

1.2 Principal Officer

Ms A Sprague

1 Southarm Road	PO Box 2416
Table Bay Harbour	Cape Town
Cape Town	8000
8001	

1.3 Registered office address and postal address

Fishing Industry Medical Scheme

Town Square Building	PO Box 15747
61 St George's Mall	Vlaeberg
Cape Town	8018
8001	

1.4 Scheme Administrator

Metropolitan Health Corporate (Pty) Ltd

Town Square Building	PO Box 4313
61 St George's Mall	Cape Town
Cape Town	8000
8001	

Accreditation no 17

1.5 Managed care provider during the year

Qualsa Healthcare (Pty) Ltd

Town Square Building	PO Box 4313
61 St George's Mall	Cape Town
Cape Town	8000
8001	

Accreditation no 26

**FISHING INDUSTRY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

1. MANAGEMENT (CONTINUED)

1.6 Investment managers during the year

Nedgroup Collective Investments Limited

BoE Clocktower	PO Box 1510
V&A Waterfront	Cape Town
Cape Town	8000
8001	

Coronation Fund Managers Limited

Seventh Floor	PO Box 44684
MontClare Place	Claremont
Cnr Campground and Main Roads	7735
Claremont	
7708	

RMB Asset Management Limited (Sage)

268 West Avenue	PO Box 7400
Centurion	Centurion
0157	0046

Investec Bank Limited

100 Grayston Drive Sandown	PO Box 785700
Sandton	Sandton
2196	2146

1.7 Actuaries

Fifth Quadrant Actuaries & Consultants

Great Westerford Building	Private Bag X30
2nd Floor, Suite 2	Rondebosch
240 Main Road	7700
Rondebosch	
7701	

1.8 Auditor

KPMG Inc

1 Mediterranean Street	PO Box 4609
Foreshore	Cape Town
Cape Town	8000
8001	

2. DESCRIPTION OF SCHEME

2.1 Terms of registration

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

2.2 Benefit options within Fishing Industry Medical Scheme

The Scheme offers two options to members.

These are:

- Standard; and
- Primary.

**FISHING INDUSTRY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

2. DESCRIPTION OF SCHEME (CONTINUED)

2.3 Savings plan

The Fishing Industry Medical Scheme does not have a savings plan.

2.4 Corporate governance

The Scheme exercises good corporate governance through the management structure, the Board of Trustees and its sub-committees, and continuously strives to improve these principles.

2.5 Risk transfer arrangement

During 2009 the Scheme again entered into a risk transfer arrangement with Qualsa Healthcare (Pty) Ltd. The arrangement provides hospital and related benefits for all beneficiaries registered on the Standard Option.

3. INVESTMENT POLICY OF THE SCHEME

The Trustees continue to invest excess funds in accordance with the Scheme's investment mandate. There has been no change in the policy during the current accounting period and the Scheme complies with the Act.

The Scheme's investment objectives are to maximise the return with the lowest possible risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees with the aim to ensure that:

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

3.1 NON-COMPLIANCE MATTER

The following non-compliance issue arose through the year or existed at year end.

Compliance with Annexure B could not be determined on a daily basis as required by Regulation 30; however, compliance is monitored by the Scheme on a monthly basis.

Contravention of section 26(7)

Nature and impact

In terms of section 26(7) of the Act, contributions should be received in accordance with the rules of the Scheme which indicates that it should be received within seven days after month end. A past due amount of R4 117 was still outstanding at 31 December 2009.

Causes for the failure

Late payment by employer groups.

Corrective action

The Administrator took actions against defaulting employers according to the approved mandate provided by the Scheme.

Sustainability of benefit options

Non-compliance with Section 33(2)(b) and Section 33(2)(c) - Financial performance and soundness of the Standard benefit option

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Standard and Primary benefit options incurred a net healthcare result of R237 476 and R38 608 respectively, for the year ended 31 December 2009, and therefore did not comply with Sections 33(2)(b) and 33(2)(c).

**FISHING INDUSTRY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

4. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 Results of operations

The results of the Scheme's operations are set out in the financial statements and the Trustees believe that no further clarification is required.

4.2 Accumulated funds ratio

The accumulated funds ratio is calculated on the following basis:

	2009	2008
	R	R
Total members' funds per statement of financial position	6,479,471	6,217,871
Adjusted for revaluation reserve	(9,597)	(10,627)
Accumulated funds per Regulation 29 of the Act	<u>6,469,874</u>	<u>6,207,244</u>
Gross contributions	<u>4,178,318</u>	<u>3,962,357</u>
Accumulated funds ratio	<u>154.84%</u>	<u>156.66%</u>

4.3 Reserve accounts

Movements in the reserves are set out in the statement of changes in funds and reserves. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

4.4 Outstanding claims provision

Movements on the outstanding claims provision are set out in note 6 to the financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

4.5 Operational statistics

Refer to page 10.

5. ACTUARIAL SERVICES

The Trustees have appointed Fifth Quadrant Actuaries and Consultants (Pty) Ltd to assist the Scheme in setting benefit and contribution levels to ensure that the Scheme maintains the desired reserve levels, as prescribed by the Act.

6. INVESTMENTS IN AND LOANS TO EMPLOYERS OF MEMBERS OF THE SCHEME AND OTHER RELATED PARTIES

The Scheme holds no investments in, and made no loans to any participating employers of Scheme members. Refer to note 15 to the financial statements for other related party transactions.

7. AUDIT COMMITTEE

An Audit Committee was established in accordance with the provisions of the Act. The Audit Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review. The committee consists of six members, three of whom are members of the Board of Trustees. The committee met twice during the year, as follows:

- 16 April 2009; and
- 27 October 2009.

The Chairperson of the Scheme, the financial manager and external auditors attend the biannual Audit Committee meetings and have unrestricted access to the Chairperson of the committee.

**FISHING INDUSTRY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

7. 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 Scheme's accounting policies, internal control systems and financial reporting practices. The external auditors formally report to the committee on critical findings arising from audit activities.

The committee for the year under review comprises:

- S Lawson Chairman and independent member
- C Gunnell Trustee
- G Erasmus Trustee

7. AUDIT COMMITTEE (CONTINUED)

The committee for the year under review comprises (continued):

- J Ridl Independent member
- R Williams Independent member
- ML Harry Trustee

8. SUBSEQUENT EVENTS

No material facts or circumstances have arisen between the date of the statement of financial position and the date of this report that affect the financial position or financial performance of the Scheme, as reflected in these financial statements.

9. FIDELITY COVER

The Scheme is covered by professional indemnity insurance for the period 1 January 2009 to 31 December 2009. The value of the cover is R3 million and is extended to the Trustees and officers of the Scheme.

10. GOING CONCERN

The Trustees believe the Scheme will be a going concern in the foreseeable future due to, but not limited to, the following reasons:

- The reserve ratio at year end is 154.84%.
- Available cash and investment resources at year end is R 6.5 million.

11. PRESCRIBED MINIMUM BENEFIT (PMB) EXEMPTION

The Scheme has received further exemption from the Council for Medical Schemes for PMBs until 31 December 2014. Despite this exemption, the Council has requested the Scheme to submit clinical data to the Risk Equalisation Fund since the beginning of 2005.

12. BOARD AND SUB-COMMITTEE MEETING ATTENDANCE

The following schedule sets out the number of meetings attended by the Board of Trustees and the Audit Committee members.

Trustees/Audit Committee member	Board meetings		Audit Committee meetings	
	A	B	A	B
C Gunnell	4	4	2	2
G Christie	4	4	-	-
A van der Merwe	1	1	-	-
D Ocks	4	3	-	-
D Olivier	4	1	-	-
G Erasmus	4	3	2	0
L Ngcauzele	2	2	-	-

**FISHING INDUSTRY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

12. BOARD AND SUB-COMMITTEE MEETING ATTENDANCE (CONTINUED)

Trustees/Audit Committee member	Board meetings		Audit Committee meetings	
	A	B	A	B
S Waluwalu	2	1	-	-
J Pieterse	1	0	-	-
ML Harry	4	2	2	2
S Lawson	-	-	2	2
J Ridl	-	-	2	1
R Williams	-	-	2	1
A Sprague	4	4	2	2*

A. Total possible number of meetings could have attended

B. Actual number of meetings attended

** By invitation in her capacity as Principal Officer*

**FISHING INDUSTRY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

Operational statistics for 2009

	Standard	Primary	Total
Average number of members for the accounting period	170	700	870
Number of members at the end of the accounting period	176	662	838
Average number of beneficiaries for the accounting period	455	1,761	2,216
Number of beneficiaries at the end of the accounting period	479	1,666	2,145
Average age of beneficiaries for the accounting period	25.8	25.0	25.2
Number of members joining the Scheme	56	53	109
Number of members leaving the Scheme	37	163	200
Dependant ratio	1.7	1.5	1.6
Pensioner ratio	0.2	0.4	0.3
Average contributions per member per month (R)	738.2	318.2	400.2
Average contributions per beneficiary per month (R)	275.8	126.5	157.1
Average relevant healthcare expenditure per member per month (R)	763.4	211.2	319.1
Average relevant healthcare expenditure per beneficiary per month (R)	285.2	83.9	125.3
Average administration expense per member per month (R)	89.9	88.7	88.9
Average administration expense per beneficiary per month (R)	33.6	35.2	34.9
Average managed care services per member per month (R)	1.7	23.2	19.0
Average accumulated funds per member at 31 December (R)	N/A	N/A	7,721
Relevant healthcare expenditure as a % of contributions	103.4	66.4	79.7
Managed care: Management services as a percentage of contributions	0.2%	7.3%	4.8%
Non-healthcare expenses as a percentage of contributions	12.3%	35.1%	26.9%
Amount paid to Administrator (R)	101,501	417,943	519,444
Return on investments as a % of investments	N/A	N/A	8.24%

Operational statistics for 2008

	Standard	Primary	Total
Average number of members for the accounting period	148	822	970
Number of members at the end of the accounting period	157	772	929
Average number of beneficiaries for the accounting period	393	2,035	2,428
Number of beneficiaries at the end of the accounting period	410	1,909	2,319
Average age of beneficiaries for the accounting period	25.4	25.0	25.0
Number of members joining the Scheme	73	66	139
Number of members leaving the Scheme	44	202	246
Dependant ratio	1.5	1.5	1.5
Pensioner ratio	0.2	0.3	0.3
Average contributions per member per month (R)	679.3	279.4	340.4
Average contributions per beneficiary per month (R)	255.8	112.9	136.0
Average relevant healthcare expenditure per member per month (R)	595.4	172.1	236.7
Average relevant healthcare expenditure per beneficiary per month (R)	224.2	69.5	94.6
Average administration expense per member per month (R)	84.4	83.9	84.0
Average administration expense per beneficiary per month (R)	31.8	33.9	33.6
Average managed care services per member per month (R)	1.7	24.2	20.7
Average accumulated funds per member at 31 December (R)	N/A	N/A	6,682
Relevant healthcare expenditure as a % of contributions	87.6	61.6	69.5
Managed care: Management services as a percentage of contributions	0.3%	8.6%	6.1%
Non-healthcare expenses as a percentage of contributions	12.6%	38.3%	30.5%
Amount paid to Administrator (R)	80,965	449,685	530,650
Return on investments as a % of investments	N/A	N/A	10.03%

**FISHING INDUSTRY MEDICAL SCHEME
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2009**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FISHING INDUSTRY MEDICAL SCHEME

Report on the financial statements

We have audited the financial statements of Fishing Industry Medical Scheme, set out on pages 13 to 39, which comprise the statement of financial position at 31 December 2009 and the statement of comprehensive income, statement of changes in funds and reserves and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees' responsibility for the financial statements

The Scheme's Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fishing Industry Medical Scheme at 31 December 2009, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act No 131 of 1998.

Report on other legal and regulatory requirements

As required by the Council for Medical Schemes, we draw your attention to note 22, non-compliance matters.

KPMG Inc
Registered Auditor

Per LP Smith
Chartered Accountant (SA)
Registered Auditor
Director

1 Mediterranean Street
Foreshore
Cape Town
8001

15 April 2010

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF FINANCIAL POSITION
at 31 December 2009**

	Notes	2009 R	2008 R
ASSETS			
Non-current assets		1,999,742	857,891
Available-for-sale investments	2	1,999,742	857,891
Current assets		5,014,757	5,824,245
Insurance and other receivables	3	501,692	299,050
Cash and cash equivalents	4	4,513,065	5,525,195
Total assets		<u>7,014,499</u>	<u>6,682,136</u>
FUNDS AND LIABILITIES			
Members' funds		6,479,471	6,217,871
Accumulated funds		6,469,874	6,207,244
Revaluation reserve: Available-for-sale investments		9,597	10,627
Current liabilities		535,028	464,265
Insurance and other payables	5	241,846	236,870
Outstanding claims provision	6	293,182	227,395
Total funds and liabilities		<u>7,014,499</u>	<u>6,682,136</u>

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009**

	Notes	2009 R	2008 R
Net contribution income	7	4,178,318	3,962,357
Relevant healthcare expenditure		(3,331,406)	(2,755,474)
Net claims incurred	8	(3,242,964)	(2,920,283)
Net (expense)/income on risk transfer arrangement		(88,442)	164,809
Premiums paid on risk transfer arrangement	9	(938,923)	(618,425)
Recoveries from risk transfer arrangement	9	850,481	783,234
Gross healthcare result		846,912	1,206,883
Managed care: Management services	10	(198,599)	(241,329)
Administration and other expenditure	11	(928,019)	(977,533)
Net impairment reversals on insurance and other receivables	12	3,622	10,681
Net healthcare result		(276,084)	(1,298)
Other income			
Investment income	13	536,892	640,598
Sundry income	14	1,822	2,236
Net surplus for the year		262,630	641,536
Other comprehensive income			
Fair value adjustment on available-for-sale investments		(1,030)	17,638
Total comprehensive income for the year		261,600	659,174

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2009**

	2009	2008
	R	R
Accumulated funds		
Balance at beginning of the year	6,207,244	5,565,708
Net surplus for the year	262,630	641,536
	-	
Balance at the end of the year	<u>6,469,874</u>	<u>6,207,244</u>
Revaluation reserve: Available-for-sale investments		
Balance at beginning of the year	10,627	(7,011)
Unrealised (loss)/gain on revaluation of available-for-sale investments	(1,030)	17,638
Balance at the end of the year	<u>9,597</u>	<u>10,627</u>
Members' funds	<u>6,479,471</u>	<u>6,217,871</u>

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF CASH FLOWS
for the year ended 31 December 2009**

	Notes	2009 R	2008 R
Cash flows from operating activities			
Cash flows (utilised in)/generated from operations before working capital changes	18	(212,097)	67,009
Working capital changes		(194,044)	195,364
- (Increase)/decrease in insurance and other receivables		(199,020)	125,109
- Increase in insurance and other payables		4,976	70,255
Cash (utilised in)/generated from operations		(406,141)	262,373
Interest received		536,892	640,598
Net cash flows from operating activities		130,751	902,971
Cash flows from investing activities			
Net purchases of available-for-sale investments		(1,142,881)	(75,510)
Net (decrease)/increase in cash and cash equivalents		(1,012,130)	827,461
Cash and cash equivalents at the beginning of the year		5,525,195	4,697,734
Cash and cash equivalents at the end of the year	4	4,513,065	5,525,195

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. The policies applied are consistent with the prior year.

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standard Board (IASB) and in accordance with the requirements of the Medical Schemes Act No 131 of 1998.

1.1 Basis of preparation

The financial statements provide information about the financial position, results of operations and changes in financial position of the Scheme. These have been prepared under historical cost convention, except for available-for-sale financial assets, which are carried at fair value and insurance contract liabilities, which are accounted for as outlined in 1.6 below.

The functional and presentation currency of the Scheme is South African rands (ZAR).

Use of estimates

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amount of assets, liabilities and contingent liabilities at statement of financial position date, as well as affecting the reported income and expenditure for the year. The actual outcome may differ from these estimates, possibly significantly. For further information on critical estimates and judgements, refer to note 20.

1.2 Financial instruments

Financial instruments are recognised when and only when the Scheme becomes a party to the contractual provisions of the particular instrument.

The Scheme de-recognises a financial asset when and only when:

- the contractual rights to the cash flows arising from the financial asset have expired or been forfeited by the Scheme; or
- it transfers the financial asset, including substantially all the risk and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability is de-recognised when and only when the liability is extinguished; that is, when the obligation specified in the contract is discharged, cancelled or has expired.

The difference between the carrying amount of a liability (or part thereof) extinguished or transferred to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at trade date.

Measurement

Financial instruments are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or liability. Subsequent to initial recognition, these instruments are measured as set out below.

Available-for-sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs in liquidity or changes in market conditions, are classified as available-for-sale.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

These are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from statement of financial position date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

All purchases and sales of investments are recognised on the trade date, which is the date that the Scheme commits to purchase or sell the asset. Available-for-sale investments are subsequently carried at fair value. Units in collective investment schemes are valued at the repurchase price per the management company. Money market instruments are measured at amortised cost using effective interest rates.

Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised in the available-for-sale reserve and as other comprehensive income in the statement of comprehensive income. Once the available-for-sale investment is sold, the realised fair value gain or loss on the changes in the fair value of the available-for-sale investment is recognised as other income in the statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets that arise from transactions with members and service providers and have fixed or determinable payments that are not quoted in an active market. They are included in current assets. Subsequent to initial recognition they are measured at amortised cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term liquid investments that are readily convertible within a three-month period to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liabilities

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

1.3 Provisions

Provisions are recognised when the Scheme has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money. The discount rate used is a rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Future operating losses are not provided for.

1.4 Outstanding claims provision

Claims outstanding comprise provisions for the Scheme's estimate of the ultimate cost of settling claims incurred but not yet reported at the statement of financial position date (and related internal and external claims handling expenses). Claims outstanding are determined as accurately as possible, but depends on a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.4 Outstanding claims provision (continued)

Estimated co-payments and payments are deducted in calculating the outstanding claims provision. The Scheme does not discount its provision for outstanding claims, since the effect of the time value of money is not considered significant.

1.5 Insurance contracts

Contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary, are classified as insurance contracts. The contracts issued compensate the Scheme's members for healthcare expenses incurred.

Liabilities and related assets under liability adequacy test

The liabilities for insurance contracts are tested for adequacy by discounting current estimates of all future contractual cash flows, including related cash flows, such as claims handling costs, and comparing this amount to the carrying amount of the insurance liabilities. Where a shortfall is identified, an additional provision is made and recognised in the statement of comprehensive income.

1.6 Contribution income

Contributions are received monthly in advance. Net contributions equal gross contributions, as the Scheme has no savings account contributions. Net contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. The earned portion of net contributions received is recognised as revenue.

1.7 Claims incurred

Gross claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Scheme is responsible, whether or not reported by the end of the year.

Net claims incurred comprise:

- claims submitted during the year and accrued for services rendered or to be rendered, net of actual or anticipated recoveries from members for co-payments;
- over and under provision relating to prior year claims;
- claims settled in terms of risk transfer arrangements; and
- claims incurred but not yet reported.

Claims incurred relating to risk transfer arrangements are accounted for at the estimated cost that the Scheme would have incurred had it not entered into the agreement to deliver the specified benefits to its members.

1.8 Risk transfer arrangements

Risk transfer arrangements are contracts entered into by the Scheme that relate to insurance risk mitigation. Where such contracts give rise to a transfer of significant insurance risk, they are accounted for as reinsurance contracts. These contracts do not relieve the Scheme of its direct obligation under insurance contracts written.

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

Risk transfer premiums and recovery of claims 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 reinsurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.8 Risk transfer arrangements (continued)

Claims recoveries relating to risk transfer arrangements are equal to the cost the Scheme would have incurred had it not entered into the agreement to deliver the specified benefits to its members.

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 such risk transfer arrangements.

1.9 Managed care: Management services expenses

These expenses represent internal expenditure and the amounts paid or payable to third-party fund administrators, related parties and other third parties for managing the utilisation, costs and quality of healthcare services to the Scheme.

1.10 Investment income

Investment income comprises interest on cash and cash equivalents, interest on fixed interest securities and realised gains or losses on disposal of investments.

Interest income is recognised using the effective interest method, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Scheme.

Income from collective investment schemes is recognised on date of distribution.

1.11 Impairment losses

Impairment of financial assets

The Scheme assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets, excluding financial assets at fair value through profit or loss, is impaired.

A financial asset is deemed to be impaired when its carrying amount is greater than its recoverable amount and there is objective evidence to suggest that the impairment occurred subsequent to initial recognition of the asset in the financial statements.

Available-for-sale investments

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the statement of comprehensive income, even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of comprehensive income is the difference between the acquisition cost and current fair value, less any impairment losses on that financial asset previously recognised in the statement of comprehensive income.

Amounts recoverable under risk transfer arrangements

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

Financial assets measured at amortised cost

An appropriate allowance for estimated irrecoverable amounts is recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.11 Impairment losses (continued)

This allowance is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest computed at initial recognition. Receivables with a short duration are not discounted.

Impairment losses on receivable balances are recognised in the statement of comprehensive income when identified.

Reversal of impairment losses

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the statement of comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment is reversed, with the amount of the reversal recognised in the statement of comprehensive income.

1.12 Unclaimed benefits

Unclaimed benefits are written back to income after a period of three years.

1.13 Reimbursements from the Road Accident Fund (RAF)

The Scheme grants assistance to its members in defraying expenditure incurred in connection with rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the RAF Act No 56 of 1996. If the members are reimbursed by the RAF, they are obliged contractually to cede that payment to the Scheme to the extent that they have already been compensated.

A reimbursement from the RAF is a possible asset that arises from a claim submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme. If an inflow of economic benefits has become probable, an entity discloses the contingent asset. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. Amounts received in respect of reimbursements from the RAF are recognised as part of relevant healthcare expenditure in the statement of comprehensive income.

1.14 Relevant healthcare expenditure

Relevant healthcare expenditure consists of net claims incurred and net income or expense from risk transfer arrangements.

1.15 Amendments to standards

Amendments adopted in the 2009 Annual Financial Statements

The following standards, amendments to standards and interpretations, effective for the first time in the current accounting period, and which are relevant to the Scheme, have been adopted in these financial statements:

IFRS 7 "Financial Instruments: Disclosures" (effective 1 January 2009). The Scheme has adopted the amendments to IFRS 7 "Financial Instruments: Disclosures", "Improving Disclosures about Financial Instruments" issued in March 2009.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)**

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.15 Amendments to standards (continued)

IAS 1 "Presentation of Financial Statements" (revised 2007) (effective 1 January 2009). The Scheme has adopted the provisions of the revised version of IAS 1 "Presentation of Financial Statements" issued in 2007, effective for accounting periods commencing on or after 1 January 2009. The principal change arising from the adoption of the standard is the inclusion of a new statement, a statement of comprehensive income, separately from the statement of changes in equity. There were no impacts on the Scheme's results or net assets as a result of the introduction of the revised standard.

Future amendments not early adopted in the 2009 Annual Financial Statements

The following standards, amendments to standards and interpretations, effective in future accounting periods, and which are relevant to the Scheme, have not been early adopted in these financial statements.

IFRS 9 Financial Instruments (effective for years commencing on or after 1 January 2013) - this standard addresses the initial measurement and classification of financial assets as either measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows. All other financial assets are measured at fair value with changes recognised in profit or loss. For an investment in an equity instrument that is not held for trading, an entity may on initial recognition elect to present all fair value changes from the investment in other comprehensive income. IFRS 9 will be adopted for the first time for the year ending 31 December 2013 and will be applied retrospectively, subject to certain transitional provisions. The impact on the financial statements has not yet been estimated.

Revised IAS 24 Related Party Disclosures (effective for years commencing on or after 1 January 2011) - this standard addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party where new related party relationships have been identified. This standard will be adopted retrospectively for the first time for the year ending 31 December 2011.

2. AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	R	R
Fair value at the beginning of the year	857,891	764,743
Additions	1,142,881	75,510
Unrealised (loss)/gain on revaluation of available-for-sale investment	(1,030)	17,638
	<u>1,999,742</u>	<u>857,891</u>
Fair value at the end of the year		
The Collective Investment Scheme investment represents investments in:		
- Bonds, bills and securities	447,942	477,674
- Money-market instruments	1,551,800	380,217
	<u>1,999,742</u>	<u>857,891</u>

A register of investments is available for inspection at the registered office of the Scheme.

3. INSURANCE AND OTHER RECEIVABLES

Insurance receivables

Contributions outstanding	195,747	80,091
Amounts recoverable from members and service providers	1,775	1,468
	<u>197,522</u>	<u>81,559</u>

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)**

3. INSURANCE AND OTHER RECEIVABLES (CONTINUED)	2009 R	2008 R
Less:		
Accumulated impairment losses	(3,449)	(7,071)
- Carrying amount at the beginning of the year	(7,071)	(19,147)
- Impairment losses reversed during the year	3,622	12,076
	<u>194,073</u>	<u>74,488</u>
Add:		
Risk transfer arrangements		
- Share of outstanding claims provision	219,658	160,041
Other receivables		
Sundry accounts receivable	62,919	19,003
Accrued interest	25,042	45,518
Total insurance and other receivables	<u>501,692</u>	<u>299,050</u>
Analysis of movements in respect of risk transfer arrangement		
Balance at the beginning of the year	160,041	84,942
Payment in respect of prior year	(34,432)	(26,457)
Over provision in prior year	125,609	58,485
Adjustments for current year	94,049	101,556
Balance at the end of the year	<u>219,658</u>	<u>160,041</u>
The carrying amounts of insurance and other receivables approximate their fair values due to the short-term maturities of these assets.		
4. CASH AND CASH EQUIVALENTS		
Call accounts	258,486	2,037,357
Current accounts	281,586	397,688
Money-market instruments	3,972,993	3,090,150
	<u>4,513,065</u>	<u>5,525,195</u>
The weighted average effective interest rate on call accounts was 12.23% (2008: 11.30%), current accounts 5.55% (2008: 8.20%) and on money-market instruments 8.62% (2008: 11.39%). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.		
5. INSURANCE AND OTHER PAYABLES		
Insurance payables	31,007	52,651
Contributions received in advance	26,679	36,160
Department of Health	-	11,008
Stale cheques	4,328	5,483
Other payables	210,839	184,219
Accrued expenses	96,839	77,219
Audit fee accrual	114,000	107,000
	<u>241,846</u>	<u>236,870</u>

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)**

5. INSURANCE AND OTHER PAYABLES (CONTINUED)

The carrying amounts of insurance and other payables approximate their fair values due to the short-term maturities of these liabilities.

	2009	2008
	R	R
Reported claims not yet paid		
Balance at the beginning of the year	-	51,487
Payments made	-	(51,487)
Adjustments for the current year	-	-
Balance at the end of the year	<u>-</u>	<u>-</u>

6. OUTSTANDING CLAIMS PROVISION

Not covered by risk transfer arrangement

Provision for outstanding claims	<u>73,524</u>	<u>67,354</u>
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Analysis of movements in outstanding claims

Balance at the beginning of the year	67,354	65,701
Payments in respect of the prior year	(76,740)	(63,289)
(Under)/over provision in respect of the prior year	(9,386)	2,412
Adjustment for the current year	82,910	64,942
Balance at end of the year	<u>73,524</u>	<u>67,354</u>

Covered by risk transfer arrangement

Provision for outstanding claims	<u>219,658</u>	<u>160,041</u>
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Total outstanding claim provision per statement of financial position - covered by risk transfer arrangement and not covered by risk transfer arrangement.

	<u>293,182</u>	<u>227,395</u>
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Analysis of movements in outstanding claims

Balance at beginning of the year	160,041	84,942
Payments in respect of the prior year	(34,432)	(26,457)
Over provision in prior year	125,609	58,485
Adjustment for the current year	94,049	101,556
Balance at end of the year	<u>219,658</u>	<u>160,041</u>

Process and assumptions used to prepare estimates

The process used to determine the assumptions over claims provisioning is intended to result in realistic 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 actual claims experience may vary from the estimate of outstanding claims provision. Reasons for this include differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

A projection technique called the "chain ladder" method is used to estimate the outstanding claims provision. Run-off triangles are used in the chain ladder method, showing the time it takes after the service date until all the payments are made.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)**

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Such methods extrapolate the development of incurred claims to ultimate incurred claims for each service month within the financial year based upon the observed development of earlier years.

It is assumed that payments will emerge in a similar way in each service month. Applying the chain ladder method to the development in the known claims from one development month to the next, the claims processed after the financial year end can be estimated.

The actual method used is consistent with prior years and considers categories of claims and observes 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 methods. Such reasons include:

- changes in processes that affect the recording and settlement of claim payments;
- economic, legal, political and social trends that result in different than expected levels of inflation and/or medical benefits to be provided;
- changes in the Scheme's composition of members and their dependents; and
- random fluctuations, including the impact of large losses.

Assumptions

A summary of key assumptions underlying the calculation of the outstanding claims provision include:

- for each month of delay since the service month, the total claims for that month is a constant proportion of total claims for the service month;
- all claims are assumed to be fully run-off within five months from the service date;
- a weighted average of historic claims inflation is assumed to occur in the future;
- claims are assumed to have reporting and settlement patterns that remain relatively stable over time;
- any distortions as a result of once-off events are isolated from the claims data set; and
- the time value of money is ignored in calculating the outstanding claims provision.

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected percentages of claims settled after each of the first four months of the claims run-off period, before the claims turn stale.

The assumed percentages of claims outstanding at the end of the year are as follows:

Claims outstanding provision as a proportion of total expected claims for each service month:

	Primary	Standard	Average
- December	8%	7%	7%
- November	3%	3%	3%
- October	1%	3%	2%
- September	0%	1%	1%
- August and prior	0%	1%	1%

Changes in assumptions and sensitivities to changes in key variables

The table on the next page outlines the sensitivity of the outstanding claims provision to changes in the assumed proportion of claims outstanding used in the estimation process. It should be noted that this is a deterministic approach with no allowance for possible correlations between the key variables.

An analysis of the outstanding claims provision's sensitivity provides an indication of the adequacy of the Scheme's estimation process. The Scheme believes that the outstanding claims provision in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon expected values for certain variables and assumptions of which the actual values might be different.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)**

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

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

The table outlines the sensitivity of these percentages and the impact on the Scheme's liabilities if an incorrect assumption is used.

	2009	2008
	R	R
Effect of a 1% decrease in assumed percentage	9,060	7,447
Effect of a 2% decrease in assumed percentage	18,313	15,052
Effect of a 3% decrease in assumed percentage	27,762	22,819
7. NET CONTRIBUTION INCOME		
Contributions	<u>4,178,318</u>	<u>3,962,357</u>
8. NET CLAIMS INCURRED		
Claims incurred, excluding claims incurred in respect of risk transfer arrangement		
Current year claims	2,309,573	2,072,107
Movement in outstanding claims provision	82,910	64,942
- Under/(over) provision in prior year	9,386	(2,412)
- Adjustment for current year	73,524	67,354
	<u>2,392,483</u>	<u>2,137,049</u>
Claims incurred in respect of risk transfer arrangement		
Current year claims	630,823	623,193
Movement in outstanding claims provision	219,658	160,041
- Adjustment for current year	94,049	101,556
- Prior year overprovision	125,609	58,485
	<u>850,481</u>	<u>783,234</u>
Net claims incurred	<u>3,242,964</u>	<u>2,920,283</u>
9. NET (EXPENSE)/INCOME ON RISK TRANSFER ARRANGEMENT		
Premiums paid on risk transfer arrangements - Qualsa Healthcare (Pty) Ltd	(938,923)	(618,425)
Less:		
Recoveries from risk transfer arrangements - Qualsa Healthcare (Pty) Ltd	850,481	783,234
Net (expense)/ income on risk transfer arrangement	<u>(88,442)</u>	<u>164,809</u>

The Scheme again entered into a risk transfer arrangement during 2009:

Hospital care for the Standard Option is covered by the risk transfer arrangement with Qualsa. The risk transfer agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement expires at the end of 2009, but is reviewed annually and is renewable depending on fee negotiations. The risk transfer premiums are charged on a per member and dependant basis.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)**

	2009	2008
	R	R
10. MANAGED CARE: MANAGEMENT SERVICES		
Specialists, hospital referrals and pre-authorisation	198,599	241,329
11. ADMINISTRATION AND OTHER EXPENDITURE		
Administrator's fees	519,444	530,650
Actuarial fees	45,600	39,900
Audit fees	121,000	187,456
Bank charges	29,357	27,056
Fidelity insurance	13,500	13,500
Levies: Council for Medical Schemes	14,325	14,400
Membership fees	6,596	7,076
Principal Officer's fees	72,046	65,823
Printing, postage and communication	35,481	20,775
Rule registration costs	850	1,800
Staff costs	51,064	47,204
Travel and entertainment	6,801	11,212
Telephone	11,583	10,681
Other expenses	372	-
	<u>928,019</u>	<u>977,533</u>
12. NET IMPAIRMENT REVERSAL/(LOSS) ON INSURANCE AND OTHER RECEIVABLES		
Insurance and other receivables		
Contributions that are not collectable	4,913	10,465
Movement in accumulated impairments	4,913	10,465
Members' and service providers' portions that are not recoverable	(1,291)	216
Movement in accumulated impairments	(1,291)	1,611
Written off during the year	-	(1,395)
	<u>3,622</u>	<u>10,681</u>
13. INVESTMENT INCOME		
Available-for-sale investments interest income	142,881	75,511
Cash and cash equivalents interest income	394,011	565,087
	<u>536,892</u>	<u>640,598</u>
14. SUNDRY INCOME		
Prescribed credit balances written back	1,822	2,236
15. RELATED PARTY DISCLOSURES		

Parties with significant influence over the Scheme

Metropolitan Health Corporate (Pty) Ltd (MHC) has significant influence over the Scheme, as it provides financial and operational information on which policy decisions are based, but does not control the Scheme. MHC provides administration services.

Managed care organisation, Qualsa Healthcare (Pty) Ltd, a wholly owned subsidiary of Metropolitan Health Corporate (Pty) Ltd, has significant influence over the Scheme as managed care and capitation provider, but does not control the Scheme.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)**

15. RELATED PARTY DISCLOSURES (CONTINUED)

Parties with significant influence over the Scheme (continued)

Fifth Quadrant Actuaries and Consultants (Pty) Ltd has significant influence over the Scheme, as they consult and advise on various strategic issues which guide the Scheme's operations, but do not control the Scheme.

Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees, the Principal Officer and members of sub-committees.

Close family members include family members of the Board of Trustees, Principal Officer and members of the sub-committees.

Transactions and balances with key management personnel and their family members

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

Statement of comprehensive income

	2009	2008
	R	R
Compensation		
Short-term employment benefits	72,046	65,823
Contributions and claims		
Gross contributions received	15,944	9,049
Claims incurred	22,620	12,114

Statement of financial position

No amounts due to or from key management and their family members are included in the statement of financial position at 31 December 2009.

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

Contributions received

This constitutes the contributions paid by the related party as a member of the Scheme, in its individual capacity. All contributions were at the same terms as applicable to third parties.

Claims incurred

This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to third parties.

	2009	2008
	R	R
Transactions and balances with other related parties		
Statement of comprehensive income		
Administration fees	519,444	530,650
Managed care fees	198,599	241,329
Risk transfer premiums	938,923	618,425
Actuarial fees	45,600	39,900
Statement of financial position		
Risk transfer arrangement	219,658	160,041
Risk transfer premium due	84,535	72,612

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)**

15. RELATED PARTY DISCLOSURES (CONTINUED)

Terms and conditions of the administration agreement

The administration agreement is in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees. The duration of the agreement is indefinite but subject to the right of either party to terminate the agreement by giving not less than three months' notice.

Terms and conditions of the managed care agreement

The managed care agreement is in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees. The duration of the agreement is indefinite but subject to the right of either party to terminate the agreement by giving not less than three months' notice.

Terms and conditions of the actuarial contract

The actuarial agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Scheme has the right to terminate the agreement on 90 days' notice.

Terms and conditions of the risk transfer arrangement

The risk transfer agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement expires at the end of 2009, but is reviewed annually and is renewable depending on fee negotiations. The risk transfer premiums are charged on a per member and dependent basis.

16. GUARANTEES AND COMMITMENTS

The Scheme has not provided any guarantees or commitments.

17. (DEFICIT)/SURPLUS FROM OPERATIONS PER BENEFIT OPTION

	Standard	Primary	Total
	R	R	R
2009			
Net contributions income	1,505,853	2,672,465	4,178,318
Relevant healthcare expenditure	(1,557,378)	(1,774,028)	(3,331,406)
Net claims incurred	(1,468,936)	(1,774,028)	(3,242,964)
Net expense on risk transfer arrangement	(88,442)	-	(88,442)
Premiums paid on risk transfer arrangement	(938,923)	-	(938,923)
Recoveries from risk transfer arrangement	850,481	-	850,481
Gross healthcare result	(51,525)	898,437	846,912
Managed care: Management services	(3,367)	(195,232)	(198,599)
Administration and other expenditure	(183,299)	(744,720)	(928,019)
Net impairment reversal on insurance and other receivables	715	2,907	3,622
Net healthcare result	(237,476)	(38,608)	(276,084)
Other income			
Investment income	112,760	424,132	536,892
Sundry income	383	1,439	1,822
Net (deficit)/surplus for the year	(124,333)	386,963	262,630

**FISHING INDUSTRY MEDICAL SCHEME
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17. SURPLUS FROM OPERATIONS PER BENEFIT OPTION (CONTINUED)

2008	Standard R	Primary R	Total R
Net contributions income	1,206,409	2,755,948	3,962,357
Relevant healthcare expenditure	(1,057,404)	(1,698,070)	(2,755,474)
Net claims incurred	(1,222,213)	(1,698,070)	(2,920,283)
Net expense on risk transfer arrangement	164,809	-	164,809
Premiums paid on risk transfer arrangement	(618,425)	-	(618,425)
Recoveries from risk transfer arrangement	783,234	-	783,234
Gross healthcare result	149,005	1,057,878	1,206,883
Managed care: Management services	(3,087)	(238,242)	(241,329)
Administration and other expenditure	(149,919)	(827,614)	(977,533)
Net impairment losses on insurance and other receivables	1,568	9,113	10,681
Net healthcare result	(2,433)	1,135	(1,298)
Other income			
Investment income	108,260	532,338	640,598
Sundry income	378	1,858	2,236
Net surplus for the year	106,205	535,331	641,536

18 CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES	2009 R	2008 R
Net surplus for the year	262,630	641,536
Adjustments for:		
- Increase in outstanding claims provision	65,787	76,752
- Interest income	(536,892)	(640,598)
- Impairment reversal	(3,622)	(10,681)
Cash flows (utilised in)/generated from operations before working capital changes	<u>(212,097)</u>	<u>67,009</u>

19. INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Scheme assumes the risk of loss arising as a result of the occurrence of a health event (i.e. an event relating to the health of the Scheme member). As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation, case management and service provider profiling. Certain risks are mitigated by entering into a risk transfer arrangement.

The Scheme 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 the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Risk transfer arrangement

The Scheme entered into a capitation agreement with a network provider for hospital and related services. The capitation agreement is, in substance, the same as a non-proportional reinsurance treaty.

The Scheme cedes insurance risk to limit exposure to underwriting losses under an agreement that covers individual risks, group risks or defined blocks of business, on a co-insurance, yearly renewable term, excess or catastrophe excess basis. The risk transfer arrangement spreads the risk and minimises the effect of losses. The amount of each risk retained depends on the Scheme's evaluation of the specified risk, subject in certain circumstances to maximum limits based on characteristics of coverage. According to the terms of the risk transfer arrangement, the third party agrees to reimburse the ceded amount in the event the claim is paid. According to the terms of the risk transfer agreement, the suppliers provide certain minimum benefits to Scheme members, as and when required by the members. The Scheme does, however, remain liable to its members with respect to ceded insurance if any reinsurer (or supplier) fails to meet the obligations it assumes.

Frequency and severity of claims

For insurance contracts issued, climatic and seasonal changes, as well as the spread of pandemics give rise to more frequent and severe claims.

Source of uncertainty in the estimation of future claims payments

The Scheme frequently re-rates benefits offered to ensure that the necessary underwriting surplus is maintained relative to the risk exposure. It is relatively easy to assess the future claim payments since the majority of claims are lodged soon after year-end before the four month expiration of claims period comes into effect.

The Scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The strategy is set out in the annual business plan, which specifies the benefits to be provided by each option.

All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal. Management information, including contribution income and claims ratios by option, target market and demographic split, is reviewed monthly.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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19. INSURANCE RISK MANAGEMENT (CONTINUED)

Concentration of insurance risk

The following table summarises the concentration of insurance risk, with reference to the number of the beneficiaries per option, by age group.

2009

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
< 26	766	220	986
26 - 35	361	76	437
36 - 50	314	92	406
51 - 65	219	90	309
> 65	6	1	7
Total	1,666	479	2,145

2008

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
< 26	909	197	1,106
26 - 35	412	71	483
36 - 50	470	109	579
51 - 65	112	32	144
> 65	6	1	7
Total	1,909	410	2,319

The following tables summarise the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred by age group and in relation to the type of risk covered/benefits provided.

2009

Age grouping (in years)	General practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
<26	581,055	29,458	81,112	8,364	15,773	24,096	739,858
26 - 35	369,768	40,077	78,837	26,684	9,481	49,451	574,298
36 - 50	426,030	50,438	78,448	63,363	44,922	97,977	761,178
51 - 65	116,800	26,848	20,127	32,310	9,748	28,314	234,147
>65	4,232	3,105	440	131	140	1,430	9,478
IBNR provision	-	-	-	-	-	-	73,524
Total	1,497,885	149,926	258,964	130,852	80,064	201,268	2,392,483

2008

Age grouping (in years)	General practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
<26	492,068	26,245	66,941	16,173	19,711	28,840	649,978
26 - 35	360,343	30,655	74,218	17,211	20,827	44,052	547,306
36 - 50	392,237	42,193	65,809	45,846	31,101	74,970	652,156
51 - 65	87,391	16,647	21,088	24,221	10,779	37,338	197,464
>65	19,388	821	-	696	942	944	22,791
IBNR provision	-	-	-	-	-	-	67,354
Total	1,351,427	116,561	228,056	104,147	83,360	186,144	2,137,049

**FISHING INDUSTRY MEDICAL SCHEME
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19. INSURANCE RISK MANAGEMENT (CONTINUED)

Concentration of insurance risk (continued)

General practitioner benefits cover the cost of all visits by members to general practitioners and of the procedures performed by them.

Specialist benefits cover the cost of all visits by members to specialists and of the out-of-hospital procedures performed by them. Specialist benefits also include radiology and pathology benefits provided to members.

Dentistry benefits cover the cost of all visits by members to dental practitioners and the procedures performed by them, up to a prescribed annual limit per member.

Optometry benefits cover the cost of all visits by members to non-PPN optometrists, the cost of prescribed spectacles and contact lenses and the cost of procedures performed by non-PPN optometrists, up to a prescribed annual limit per member.

Medicine benefits cover the cost of all medicines prescribed to members.

Hospital benefits cover all costs incurred by members - while they are in hospital - who received pre-authorised treatment for certain medical conditions and immediate emergency treatment where authorisation is given post treatment.

20. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Scheme's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

A key assumption concerning the future that has a significant risk of causing a material adjustment to the carrying amounts of liabilities is used to determine the provision for outstanding claims (note 6).

When arriving at this provision it is assumed that the reporting and settlement trend of claims incurred but not reported will be similar to that of the previous financial period. The provision is calculated based on percentages derived from the previous financial period and is adjusted, if necessary, as the claims are reported and settled.

Although the assumption is considered critical, post statement of financial position settlements against the provision have been monitored to ensure reasonability of the original provision.

21. FINANCIAL RISK MANAGEMENT

Analysis of carrying amounts of financial assets and financial liabilities per category

	Loans and other receivables	Available-for-sale investments	Financial liabilities measured at amortised cost	Insurance receivables and payables
2009				
Investments	-	1,999,742	-	-
Cash and cash equivalents	4,513,065	-	-	-
Insurance and other receivables	-	-	-	-
- <i>Insurance receivables</i>	-	-	-	413,731
- <i>Other receivables</i>	87,961	-	-	-
Insurance and other payables	-	-	-	-
- <i>Insurance payables</i>	-	-	-	31,007
- <i>Other payables</i>	-	-	210,839	-
Outstanding claims provision	-	-	-	293,182

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Analysis of carrying amounts of financial assets and financial liabilities per category (continued)

	Loans and other receivables	Available-for-sale investments	Financial liabilities measured at amortised cost	Insurance receivables and payables
2008				
Investments	-	857,891	-	-
Cash and cash equivalents	5,525,195	-	-	-
Insurance and other receivables				
- <i>Insurance receivables</i>	-	-	-	234,529
- <i>Other receivables</i>	64,521	-	-	-
Insurance and other payables				
- <i>Insurance payables</i>	-	-	-	52,651
- <i>Other payables</i>	-	-	184,219	-
Outstanding claims provision	-	-	-	227,395

The carrying amounts of all financial assets and financial liabilities approximate their fair values.

Risk management

The Scheme's activities expose it to a variety of financial risks, including the effects of changes in interest rates. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members. Risk management and investment decisions are made by the Board of Trustees with the assistance of the Finance Sub-committee. The Board of Trustees approves all written policies.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Scheme has the ability to fund its day-to-day operations.

At year end 64.59% (2008: 82.69%) of the Scheme's assets was invested in cash and cash equivalents to ensure that the Scheme can meet its short-term liabilities. The following table illustrates the prudent liquidity position of the Scheme:

	Up to 1 month R	1 - 3 months R	3 - 12 months R	Over 1 year R	Total R
2009					
Outstanding claims provision	107,980	95,955	89,247	-	293,182
Insurance payables					
- Contributions received in advance	26,679	-	-	-	26,679
- Stale cheques	4,328	-	-	-	4,328
Other payables	96,839	114,000	-	-	210,839
Total liabilities	235,826	209,955	89,247	-	535,028
Cash and cash equivalents	4,513,065	-	-	-	4,513,065
Excess liquidity					3,978,037

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

	Up to 1 month R	1 - 3 months R	3 - 12 months R	Over 1 year R	Total R
2008					
Outstanding claims provision	161,585	25,667	40,143	-	227,395
Insurance payables					
- Contributions received in advance	36,160	-	-	-	36,160
- Department of Health	11,008	-	-	-	11,008
- Stale cheques	5,483	-	-	-	5,483
Other payables	77,219	107,000	-	-	184,219
Total liabilities	291,455	132,667	40,143	-	464,265
Cash and cash equivalents	5,525,195	-	-	-	5,525,195
Excess liquidity					5,060,930

Credit risk

The Scheme's principle financial assets are cash and cash equivalents, insurance and other receivables and investments. The Scheme's credit risk is primarily attributable to its insurance and other receivables. The amounts presented in the statement of financial position are net of allowances for impairment losses. An allowance for impairment losses is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Cash and cash equivalents are only placed with reputable financial institutions with a high credit quality. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution.

	Neither past due, nor impaired R	Past due, not impaired R	Impaired R	Total carrying amount R
2009				
Insurance and other receivables	499,860	1,832	-	501,692
Insurance receivables	411,899	1,832	3,449	417,180
- Contributions outstanding	192,241	1,348	2,158	195,747
- Accounts recoverable from members and providers	-	484	1,291	1,775
- Outstanding claims provision on risk transfer arrangement	219,658	-	-	219,658
- Accumulated impairment losses	-	-	(3,449)	(3,449)
- Other receivables	87,961	-	-	87,961
Cash and cash equivalents	4,513,065	-	-	4,513,065
Total	5,012,925	1,832	-	5,014,757

**FISHING INDUSTRY MEDICAL SCHEME
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for the year ended 31 December 2009 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

	Neither past due, nor impaired R	Past due, not impaired R	Impaired R	Total carrying amount R
2008				
Insurance and other receivables	289,712	9,338	-	299,050
Insurance receivables	225,191	9,338	7,071	241,600
- Contributions outstanding	65,150	7,870	7,071	80,091
- Accounts recoverable from members and providers	-	1,468	-	1,468
- Outstanding claims provision on risk transfer arrangement	160,041	-	-	160,041
- Accumulated impairment losses	-	-	(7,071)	(7,071)
- Other receivables	64,521	-	-	64,521
Cash and cash equivalents	5,525,195	-	-	5,525,195
Total	5,814,907	9,338	-	5,824,245

Age analysis of past due amounts:

	30 days R	60 days R	90 days R	Total R
2009				
- Contributions outstanding	1,230	118	-	1,348
- Accounts recoverable from members and providers	200	-	284	484
Past due total	1,430	118	284	1,832

	30 days R	60 days R	90 days R	Total R
2008				
- Contributions outstanding	6,216	655	999	7,870
- Accounts recoverable from members and providers	662	-	806	1,468
Past due total	6,878	655	1,805	9,338

**FISHING INDUSTRY MEDICAL SCHEME
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21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

The Scheme is exposed to market risk, which is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices. Market price risk comprises three types of risks: currency risk, interest rate risk and equity price risk.

Currency risk

The Scheme operates in South Africa and therefore its cash flows are denominated in South African rand (ZAR). The Scheme does not have any offshore investments and therefore has no direct exposure to currency risk.

Equity risk

The Scheme does not hold any equity or equity based instruments and it is therefore not exposed to equity price risk.

Fair value estimation

The fair value of available-for-sale investments is based on quoted published prices at the statement of financial position date.

The table below illustrates the fair values of financial assets by hierarchy level.

As at 31 December 2009	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Reclassification</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Available-for-sale financial assets				
Collective investment scheme investments	1,999,742	-	-	-
Total	1,999,742	-	-	-

As at 31 December 2008	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Reclassification</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Available-for-sale financial assets				
Collective investment scheme investments	857,891	-	-	-
Total	857,891	-	-	-

The hierarchy levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Scheme for similar financial instruments.

Interest rate risk

The Scheme's investment policy is to hold 100% of all investments in interest bearing instruments and is therefore exposed to changes in the interest rate market.

**FISHING INDUSTRY MEDICAL SCHEME
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21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

The table below summarises the Scheme's exposure to interest rate risk. Included in the table are the Scheme's investments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	<i>Up to 1 month</i>	<i>Total</i>
	R	R
2009		
Available-for-sale investments	1,999,742	1,999,742
Cash and cash equivalents	4,513,065	4,513,065
Total	6,512,807	6,512,807

2008		
Available-for-sale investments	857,891	857,891
Cash and cash equivalents	5,525,195	5,525,195
Total	6,383,086	6,383,086

Interest rate sensitivity analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

A decrease of 100 basis points in interest yields at 31 December 2009 would result in a decrease in members' funds of R50,006 (2008: R58,235).

An increase of 100 basis points in interest yield at 31 December 2009 would have had an equal but opposite effect on members' funds, on the basis that all other variables remain constant.

This sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated, for example the effect of interest rates on the equity market.

Capital risk management

Capital adequacy risk is the risk that there may be insufficient reserves to provide for adverse variations on actual and future experience.

The Scheme's objective is to manage its capital in such a way that the annual contribution increase to members is as low as possible, or at least in line with the participating employer's salary increases. The Scheme therefore decided to use some of its investment income to fund any possible deficit that might occur as a result of operational losses.

The accumulated funds ratio was 154.84% at 31 December 2009 and 156.66% at 31 December 2008, which compares favourably to the prescribed minimum accumulated funds ratio of 25%.

22. CONTINGENT ASSET

As at 31 December 2009 the Fund had pending motor vehicle recoveries submitted to the Road Accident Fund (RAF) for assessment. This will only be accounted for when an amount is virtually certain to be received from the RAF. The value at 31 December 2009 amounted to R47,469 (2008: R47,469).

23. NON-COMPLIANCE MATTER

Compliance with Annexure B could not be determined on a daily basis as required by Regulation 30, however compliance is monitored by the Scheme on a monthly basis.

23. NON-COMPLIANCE MATTER (CONTINUED)

Contravention of section 26(7)

Nature and impact

In terms of section 26(7) of the Act, contributions should be received in accordance with the rules of the Scheme which indicates that it should be received within seven days after month end. A past due amount of R4 117 was still outstanding at 31 December 2009.

Causes for the failure

Late payment by employer groups.

Corrective action

The Administrator took actions against defaulting employers according to the approved mandate provided by the Scheme.

Sustainability of benefit options

Non-compliance with Section 33(2)(b) and Section 33(2)(c) - Financial performance and soundness of the Standard benefit option

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Standard and Primary benefit options incurred a net healthcare result of R237 476 and R38 608 respectively, for the year ended 31 December 2009, and therefore did not comply with Sections 33(2)(b) and 33(2)(c).

