

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF



WILL BE HELD ON TUESDAY, 18 JUNE 2013 AT 10:00 AT THE TRAINING CENTRE,  
I&J SOUTHARM, WATERFRONT.

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**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 Tuesday, 19 June 2012
3. To receive the Chairperson's report and Annual Financial Statements for the year ended 31 December 2012 and adopt the audited Annual Financial Statements for the year ended 31 December 2012
4. To appoint the Auditors for the ensuing year
5. Election of two Member-elected Trustees
  - i. Nominations must be returned to the Principal Officer seven (7) days prior to the Annual General Meeting; cut-off date: 10 June 2013
  - ii. Announcement of nominations received for the Member-elected Trustees
  - iii. Voting for the two Member-elected 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: 10 June 2013
7. Close

By order of the Board

**ALIDA SPRAGUE (MS)**  
PRINCIPAL OFFICER

CAPE TOWN  
MAY 2013

**MINUTES OF THE 2013 ANNUAL GENERAL MEETING**

A full set of the minutes of the Annual General Meeting of Fishing Industry Medical Scheme, held on 19 June 2012, is available on request.

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

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Fishmed continued with its commitment to providing its members with appropriate healthcare funding. The Board of Trustees continued to steer the Scheme through sound, ethical governance processes to ensure the pursuit of service excellence in the provision of medical cover for members of the Scheme.

2012 has been a good year for the Scheme, as it continued to report positive financial results and maintain a strong financial position. This is reflected in the reported surplus of R218 912 for the year and a reserve ratio of 112.48% at 31 December 2012. The reserve ratio continued to exceed the required statutory rate of 25%. This favourable position is welcomed in a year in which the healthcare industry continued to be challenged by financial and legislative changes.

Membership of the Scheme has increased by 14.4% over the period January to December 2012. The total number of members at the end of December 2012 was 889 compared to 777 at the end of December 2011. The average age of members, as well as the pensioner ratio, has also remained stable since 2011.

One of the most important factors that needs to be taken into consideration when enhancing benefits for the next year, is that both the Scheme rate (the rate at which we reimburse claims) and the benefit limits need to be increased. Minor changes were made to specific benefits after extensive investigations showed that the impact on members would be minimal.

The Scheme's annual contribution increase review takes into account the following uncontrollable and unavoidable factors:

- benefit changes;
- increases in tariffs (including those of healthcare providers);
- increases in the utilisation of benefits;
- the long-term sustainability of the Scheme; and
- the affordability of member contributions.

While the reserve ratio may appear to be more than adequate to keep contribution increases low, we need to factor in the unpredictability of the ever-changing healthcare market and the volatility of year-on-year claims experience.

The Board expresses its appreciation to all members for their contribution and ongoing active participation in the Scheme. We look forward to yet another successful year for the Scheme in which our members and their dependants will enjoy good health.



**STEVEN LAWSON**  
CHAIRPERSON

MAY 2013

**FISHING INDUSTRY MEDICAL SCHEME  
ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2012**

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**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 2012, 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 and in the manner required by the Medical Schemes Act of South Africa. 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 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, as amended, and for such internal control as the Trustees determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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 2012, set out on pages 14 to 44, were approved by the Board of Trustees and are signed on its behalf by:



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**Mr S Lawson**  
Chairperson



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**Ms ML Harry**  
Trustee



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**Ms A Sprague**  
Principal Officer

14 May 2013

**STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES**

The 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 participating 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.



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**Mr S Lawson**  
Chairperson



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**Ms ML Harry**  
Trustee



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**Ms A Sprague**  
Principal Officer

14 May 2013

**FISHING INDUSTRY MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES**

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The Board of Trustees hereby presents its report for the year ended 31 December 2012.

Registration number: 1271

**1. MANAGEMENT**

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

**Employer Trustees**

S Lawson (Chairperson)  
D Ocks  
ML Harry  
L Ngcauzele

**Member Trustees**

A Adams	Deceased on 16 March 2012
M Britz	
G Christy	Elected on 19 June 2012
M Lewis	
G Erasmus	

**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 Medical 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 and capitation provider during the year**

**Metropolitan Health Risk Management (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)**

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**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
C/o Campground and Main Roads	7735
Claremont	
7708	

**Momentum Collective Investments Limited**

268 West Avenue	PO Box 7400
Centurion	Centurion
0157	0046

**Investec Asset Management (Pty) Ltd**

100 Grayston Drive	PO Box 785700
Sandown	Sandton
Sandton	2146
2196	

**1.7 Actuaries**

**Towers Watson Actuaries & Consultants**

Great Westerford Building	Private Bag X30
Second 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 of South Africa (the Act).

**2.2 Benefit options within Fishing Industry Medical Scheme**

The Scheme offered two options to members:

These are:

- Standard; and
- Primary.

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

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**2. DESCRIPTION OF SCHEME (CONTINUED)**

**2.3 Savings plan**

The Fishing Industry Medical Scheme does not offer personal medical savings account.

**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**

The Scheme renewed the risk transfer arrangement with Metropolitan Health Risk Management (Pty) Ltd. The arrangement caters for hospital and related benefits for all beneficiaries registered on both options. However, the Scheme covers in-hospital claims for members on the Primary 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's investments comply with the Regulations of 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.

**4. NON-COMPLIANCE MATTERS**

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

**Compliance with Regulation 30**

*Nature and impact*

Compliance with Annexure B could not be determined on a daily basis as required by Regulation 30, as the Scheme has invested in Collective Investment Schemes and therefore it is not possible for detailed information to be obtained on a daily basis.

*Causes for the failure*

The Scheme has invested in Collective Investment Schemes and therefore it is not possible for detailed information to be obtained on a daily basis.

*Corrective action*

The 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 at the latest three days after it is due. The contribution was for April 2012 and the payment was received on 25 May.

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

**4. NON-COMPLIANCE MATTERS (CONTINUED)**

*Causes for the failure*

The Employer incorrectly deposited the amount to one of its third parties instead of making the payment to Fishing Industry Medical Scheme and the relevant third party did not refund the Employer in a timely manner so that the payment could be made to Fishing Industry Medical Scheme.

*Corrective action*

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

**Sustainability of benefit options**

*Nature and impact*

Non-compliance with Sections 33(2)(b) and 33(2)(c) of the Act - financial performance and soundness of the Standard and Primary Options.

*Causes for the failure*

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 Options incurred net healthcare deficits of R92 542 and R119 286 respectively for the year ended 31 December 2012 and therefore did not comply with Sections 33(2)(b) and 33(2)(c).

*Corrective action*

The Scheme has provided the Registrar with a plan to address the following:

- *Measures that are in place to curb the rising claims ratio*

The Scheme provides limited primary care benefits and has outsourced the risk for hospital and network expenditure for both options to Metropolitan Health Risk Management (Pty) Ltd. The Scheme budgeted for losses on the Standard Option in line with the product design for 2012 in order for the losses to be absorbed by investment income. This was done to ensure that the Scheme provided accessible and affordable healthcare for low income earners.

- *The Board's recovery plan to manage the solvency of the Scheme*

The Board is attempting to increase the number of beneficiaries by adjusting the benefits and contributions and marketing the Scheme. The Scheme has also entered into a capitation agreement with Metropolitan Health Risk Management (Pty) Ltd. The arrangement caters for hospital and related benefits for all beneficiaries registered on both options. However, the Scheme covers in-hospital claims for members on the Primary Option.

**5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES**

**5.1 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.

**5.2 Accumulated funds ratio**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per statement of financial position	6 831 697	6 607 451
Adjusted for revaluation reserve	(41 625)	(36 291)
Accumulated funds per Regulation 29 of the Act	6 790 072	6 571 160



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

**5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (CONTINUED)**

**5.2 Accumulated funds ratio (continued)**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Gross contributions	<u>6 036 758</u>	<u>5 127 313</u>
Accumulated funds ratio	<u>112.48%</u>	<u>128.16%</u>

**5.3 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.

**5.4 Outstanding claims provision**

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

**6. ACTUARIAL SERVICES**

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

**7. INVESTMENTS IN AND LOANS TO PARTICIPATING 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 Annual Financial Statements for other related party transactions.

**8. 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:

- 11 April 2012; and
- 23 October 2012.

The chairperson of the Scheme, the Financial Manager and External Auditors attend the bi-annual Audit Committee meetings and have unrestricted access to the Chairperson of the Committee.

In accordance with the provisions of the Act, the primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the 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:

- |              |                                    |
|--------------|------------------------------------|
| - J Ridl     | Chairperson and independent member |
| - S Lawson   | Trustee                            |
| - ML Harry   | Trustee                            |
| - G Naylor   | Independent member                 |
| - M Britz    | Trustee                            |
| - C Ackerman | Independent member                 |

The above-mentioned members also represent the Finance Committee.

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

**9. 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.

**10. FIDELITY COVER**

The Scheme was covered by professional indemnity insurance for the period 1 January 2012 to 31 December 2012. The value of the cover is R3 million and is extended to the Trustees and Officers of the Scheme.

**11. 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 was 112.48%.
- Available cash and investment resources at year-end was in excess of R7 million.

**12. PRESCRIBED MINIMUM BENEFITS EXEMPTION**

The Scheme has been exempted in terms of Section 8(H) from the provisions of Section 29(1)(o) of the Medical Schemes Act. The exemption extends to 31 December 2014 or an earlier date, as deemed by the Council for Medical Schemes. Despite this exemption, Council has requested the Scheme to submit clinical data to the Risk Equalisation Fund since the beginning of 2005.

**13. BOARD AND SUB-COMMITTEE MEETING ATTENDANCE**

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

Trustees/committee member	Board meetings		Audit Committee meetings		Finance Committee meetings	
	A	B	A	B	A	B
S Lawson	4	4	2	2	4	3
L Ngcauzele	4	4	-	-	-	-
D Ocks	4	3	-	-	-	-
ML Harry	4	4	2	2	4	3
G Erasmus	4	1	-	-	-	-
M Lewis	4	3	-	-	-	-
K Adams	1	0	-	-	-	-
G Christy	2	2	-	-	-	-
J Ridl	-	-	2	2	4	4
C Ackerman	-	-	2	1	4	2
G Naylor	-	-	2	2	4	3
M Britz	4	4	2	1	4	4
A Sprague	4	4*	2	2*	4	4*

*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)**

**14. OPERATIONAL STATISTICS FOR 2012**

	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
Average number of members for the accounting period	249	573	822
Number of members at the end of the accounting period	279	610	889
Average number of beneficiaries for the accounting period	655	1 450	2 105
Number of beneficiaries at the end of the accounting period	721	1 521	2 242
Average age of beneficiaries for the accounting period	26.6	25.7	26.0
Number of members joining the Scheme	81	117	198
Number of members leaving the Scheme	23	73	96
Dependant ratio	1.6	1.5	1.6
Pensioner ratio	-	0.0039	0.0039
Average contributions per member per month (R)	1 026.2	432.0	612.0
Average contributions per beneficiary per month (R)	390.1	170.7	239.0
Average relevant healthcare expenditure per member per month (R)	933.0	300.3	492.0
Average relevant healthcare expenditure per beneficiary per month (R)	354.7	118.7	192.1
Average administration expense per member per month (R)	119.4	118.9	119.1
Average administration expense per beneficiary per month (R)	45.4	47.0	46.5
Average managed care services per member per month (R)	3.3	28.8	21.1
Average accumulated funds per member at 31 December (R)	N/A	N/A	7 638
Relevant healthcare expenditure as a % of contributions	90.9	69.5	80.4
Managed care: Management services as a percentage of contributions	0.3%	6.7%	3.4%
Non-healthcare expenses as a percentage of contributions	12.1%	34.5%	23.1%
Amount paid to Administrator (R)	172 483	396 918	569 401
Return on investments as a % of investments	N/A	N/A	5.27%

**OPERATIONAL STATISTICS FOR 2011**

	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
Average number of members for the accounting period	213	577	790
Number of members at the end of the accounting period	221	566	787
Average number of beneficiaries for the accounting period	569	1 446	2 015
Number of beneficiaries at the end of the accounting period	594	1 426	2 020
Average age of beneficiaries for the accounting period	26.3	25.3	25.6
Number of members joining the Scheme	59	70	129
Number of members leaving the Scheme	30	118	148
Dependant ratio	1.7	1.5	1.6
Pensioner ratio	-	0.0035	0.0035
Average contributions per member per month (R)	948.5	390.4	540.9
Average contributions per beneficiary per month (R)	355.1	155.8	212.0
Average relevant healthcare expenditure per member per month (R)	906.7	288.6	455.3
Average relevant healthcare expenditure per beneficiary per month (R)	339.4	115.2	178.5
Average administration expense per member per month (R)	108.2	107.6	107.7

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

**OPERATIONAL STATISTICS FOR 2011 (CONTINUED)**

	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
Average administration expense per beneficiary per month (R)	40.5	42.9	42.2
Average managed care services per member per month (R)	2.9	27.0	20.5
Average accumulated funds per member at 31 December (R)	N/A	N/A	8 350
Relevant healthcare expenditure as a % of contributions	95.6	73.9	84.2
Managed care: Management services as a percentage of contributions	0.3%	6.9%	3.8%
Non-healthcare expenses as a percentage of contributions	11.8%	34.7%	23.9%
Amount paid to Administrator (R)	139 922	379 037	518 959
Return on investments as % of investments	N/A	N/A	5.70%

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

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**Report on the Financial Statements**

We have audited the Annual Financial Statements of Fishing Industry Medical Scheme (the Scheme), which comprise the statement of financial position at 31 December 2012 and the statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended and the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 14 to 45.

***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 and for such internal control as the Trustees determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

***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 on 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 2012 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 of South Africa.

**Report on other legal and regulatory requirements**

As required by the Council for Medical Schemes, we draw your attention to note 23 to the Annual Financial Statements, which details instances of non-compliance with the Medical Schemes Act of South Africa.

KPMG Inc  
Registered Auditor

Per Tareq Carrim  
Chartered Accountant (SA)  
Registered Auditor  
Director

14 May 2013

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF FINANCIAL POSITION  
at 31 December 2012**

	Notes	2012 R	2011 R
<b>ASSETS</b>			
<b>Non-current assets</b>		2 466 944	2 317 786
Available-for-sale investments	2	2 466 944	2 317 786
<b>Current assets</b>		5 325 151	5 069 047
Insurance and other receivables	3	756 457	641 851
Cash and cash equivalents	4	4 568 694	4 427 196
<b>Total assets</b>		<u>7 792 095</u>	<u>7 386 833</u>
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>		6 831 697	6 607 451
Accumulated funds		6 790 072	6 571 160
Revaluation reserve: Available-for-sale investments		41 625	36 291
<b>Current liabilities</b>		960 398	779 382
Insurance and other payables	5	755 045	563 249
Outstanding risk claims provision	6	205 353	216 133
<b>Total funds and liabilities</b>		<u>7 792 095</u>	<u>7 386 833</u>

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2012**

	Notes	2012 R	2011 R
<b>Risk contribution income</b>	7	6 036 758	5 127 313
<b>Relevant healthcare expenditure</b>		(4 852 843)	(4 316 009)
Risk claims incurred	8	(4 080 802)	(3 880 965)
Third-party claim recoveries		-	5 051
Net expense on risk transfer arrangement		(772 041)	(440 095)
Premiums paid on risk transfer arrangement	9	(4 831 965)	(4 321 011)
Recoveries from risk transfer arrangement	9	4 059 924	3 880 916
<b>Gross healthcare result</b>		<u>1 183 915</u>	<u>811 304</u>
Managed care: Management services	10	(207 758)	(194 655)
Administration and other expenditure	11	(1 174 564)	(1 021 216)
Net impairment raised on insurance and other receivables	12	<u>(13 421)</u>	<u>(7 154)</u>
<b>Net healthcare result</b>		(211 828)	(411 721)
<b>Other income</b>			
Investment income	13	370 733	384 325
Sundry income	14	60 007	20 367
<b>Net surplus/(deficit) for the year</b>		<u>218 912</u>	<u>(7 029)</u>
<b>Other comprehensive income</b>			
Fair value adjustment on available-for-sale investments		5 334	3 687
<b>Total comprehensive income/(loss) for the year</b>		<u><u>224 246</u></u>	<u><u>(3 342)</u></u>

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF CHANGES IN FUNDS AND RESERVES  
for the year ended 31 December 2012**

<b>Accumulated funds</b>	<b>Notes</b>	<b>2012 R</b>	<b>2011 R</b>
Balance at beginning of the year		6 571 160	6 578 189
Net surplus/(deficit) for the year		218 912	(7 029)
		-	
Balance at the end of the year		<u>6 790 072</u>	<u>6 571 160</u>
<b>Revaluation reserve: Available-for-sale investments</b>			
Balance at beginning of the year		36 291	32 604
Net unrealised gain on revaluation of available-for-sale investments		5 334	3 687
Balance at the end of the year		<u>41 625</u>	<u>36 291</u>
Members' funds		<u>6 831 697</u>	<u>6 607 451</u>
<b>STATEMENT OF CASH FLOWS for the year ended 31 December 2012</b>			
<b>Cash flows from operating activities</b>			
Cash flows utilised in operations before working capital changes	18	(149 180)	(349 732)
Working capital changes		63 004	56 545
- Increase in insurance and other receivables		(128 792)	(93 998)
- Increase in insurance and other payables		191 796	150 543
Cash utilised in operations		<u>(86 176)</u>	<u>(293 187)</u>
Interest received		371 498	387 040
<b>Net cash flows from operating activities</b>		<u>285 322</u>	<u>93 853</u>
<b>Cash flows utilised in investing activities</b>			
Reinvestment of investment income		(143 824)	(143 232)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>141 498</u>	<u>(49 379)</u>
Cash and cash equivalents at the beginning of the year		4 427 196	4 476 575
<b>Cash and cash equivalents at the end of the year</b>	4	<u>4 568 694</u>	<u>4 427 196</u>



**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2012**

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**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 the manner required by Medical Schemes Act of South Africa 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 the 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 1.2 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 reporting 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, i.e. 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.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2012 (continued)**

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**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.2 Financial instruments (continued)**

*Available-for-sale investments (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 risk 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 reporting 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 risk 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.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2012 (continued)**

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**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 when received.

**1.11 Impairment losses**

*Impairment of financial assets*

The Scheme assesses at each reporting 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 reporting 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)**

*Financial assets measured at amortised cost (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 Road Accident Fund 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**

**Standards and interpretations applicable to the Scheme not yet effective:**

The following new standards and amendments to IFRSs are not yet effective for the current financial year. The Scheme will comply with the new standards and interpretations from the various effective dates.

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.15 Amendments to standards (continued)**

**Standards and interpretations applicable to the Scheme not yet effective (continued):**

*IFRS 9 - Financial instruments*

IFRS 9 (2009) retains but simplifies the mixed measurement model for financial assets and establishes two primary measurement categories: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities. It also includes those paragraphs of IAS39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset. The amendments to the standard (IFRS9) are effective for annual periods commencing on or after 1 January 2015. The Scheme will assess IFRS 9's full impact and will adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

*IAS 32 - Offsetting financial assets and financial liabilities*

The amendments addresses inconsistencies in applying the offsetting criteria and clarify:

- when an entity currently has a legally enforceable right to set off recognised amounts; and
- when gross settlement is equivalent to net settlement.

The amendments to the standard are effective for annual periods commencing on or after 1 January 2014.

*IFRS 7 - Disclosure: Offsetting financial assets and financial liabilities*

The objective of the common disclosure (with IAS 32 amendment) is to help users of the Financial Statements to understand the actual and potential effect of netting arrangement on the entity's financial position.

The amendment includes minimum disclosure requirements related to financial assets and financial liabilities that are:

- offset in the statement of financial position; or
- subject to enforceable master netting arrangements or similar agreements.

The amendments to the standard are effective for annual periods commencing on or after 1 January 2013.

*IFRS 13 - Fair value measurement*

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The amendments to the standard are effective for financial periods commencing on or after 1 January 2013. The Scheme will assess IFRS 13's full impact and will adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

*IAS 19 - 'Employee benefits'*

The amended IAS 19 includes the following requirements:

- actuarial gains and losses are recognised immediately in "other comprehensive income"; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which are currently allowed under IAS 19; and
- expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2012 (continued)**

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.15 Amendments to standards (continued)**

**Standards and interpretations applicable to the Scheme not yet effective (continued):**

*IAS 19 - 'Employee benefits' (continued)*

The Scheme will assess the full impact of the amendments to IAS 19 and will adopt the amendments to IAS 19 no later than the accounting period beginning on or after 1 January 2013.

**Standards adopted in the current year**

The following standards and interpretations are effective for the current financial year. The Scheme is complying with the new standards and interpretations from the various effective dates.

*IAS 1 - Presentation of Financial Statements*

The amendments require:

- that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
- not to change the existing option to present profit or loss and other comprehensive income in two statements; and
- to change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income; however, an entity is still allowed to use other titles.

The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

The amendment is to be applied retrospectively.

**2. AVAILABLE-FOR-SALE INVESTMENTS**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Fair value at the beginning of the year	2 317 786	2 170 867
Additions - reinvestment of investment income	143 824	143 232
Net unrealised gain on revaluation of available-for-sale investments	5 334	3 687
Fair value at the end of the year	<u>2 466 944</u>	<u>2 317 786</u>
The available-for-sale investments in collective investment schemes have invested into:		
- Bonds, bills and securities	942 866	743 546
- Money-market instruments	<u>1 524 078</u>	<u>1 574 240</u>
	<u>2 466 944</u>	<u>2 317 786</u>

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

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2012 (continued)**

**3. INSURANCE AND OTHER RECEIVABLES**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>Insurance receivables</b>		
Contributions outstanding	423 145	340 126
Amounts recoverable from members and service providers	19 459	6 951
	<u>442 604</u>	<u>347 077</u>
Less:		
Accumulated impairment losses	(19 298)	(7 533)
- Carrying amount at the beginning of the year	(7 533)	(379)
- Impairment losses raised during the year	(11 765)	(7 154)
	<u>423 306</u>	<u>339 544</u>
Add:		
Risk transfer arrangement		
- Share of outstanding claims provision	204 353	211 133
	<u>627 659</u>	<u>550 677</u>
<b>Other receivables</b>		
Sundry accounts receivable	110 291	71 902
Accrued interest	18 507	19 272
	<u>756 457</u>	<u>641 851</u>
<b>Total insurance and other receivables</b>		
	<u>756 457</u>	<u>641 851</u>
<b>Analysis of movements in respect of risk transfer arrangement</b>		
Balance at the beginning of the year	211 133	101 974
Payments received in respect of prior year	(128 419)	(86 840)
Over provision in prior year	82 714	15 134
Adjustments for current year	121 639	195 999
Balance at the end of the year	<u>204 353</u>	<u>211 133</u>

The carrying amounts of insurance and other receivables approximate their fair values due to the short-term nature of these assets.

**4. CASH AND CASH EQUIVALENTS**

Call accounts	51 888	3 383
Current accounts	206 473	234 623
Money-market instruments	4 310 333	4 189 190
	<u>4 568 694</u>	<u>4 427 196</u>

The weighted average effective interest rate on call accounts was 6.90% (2011: 10.46%), current accounts 2.76% (2011: 2.77%) and on money-market instruments 5.21% (2011: 5.43%). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.



**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2012 (continued)**

**5. INSURANCE AND OTHER PAYABLES**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>Insurance payables</b>	545 006	432 469
Contributions received in advance	1 267	2 983
Reported claims not paid	97 791	59 900
Risk transfer arrangement premium	445 897	367 202
Stale cheques	51	2 384
<b>Other payables</b>	210 039	130 780
Accrued expenses	67 539	2 690
Audit fee accrual	142 500	128 090
	<u>755 045</u>	<u>563 249</u>

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

**Reported claims not yet paid**

Balance at the beginning of the year	59 900	-
Payments made	(59 900)	-
Adjustments for the current year	97 791	59 900
Balance at the end of the year	<u>97 791</u>	<u>59 900</u>

**6. OUTSTANDING CLAIMS PROVISION**

**2012**

	<b>Not covered by risk transfer arrangement</b>	<b>Covered by risk transfer arrangement</b>
Provision for outstanding risk claims	<u>1 000</u>	<u>204 353</u>

*Analysis of movements in outstanding risk claims provision*

Balance at the beginning of the year	5 000	211 133
Payments in respect of the prior year	(480)	(128 419)
Over provision in respect of the prior year	4 520	82 714
Adjustment for the current year	(3 520)	121 639
Balance at end of the year	<u>1 000</u>	<u>204 353</u>

Total outstanding risk claims provision

205 353

**2011**

Provision for outstanding risk claims	<u>5 000</u>	<u>211 133</u>
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**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2012 (continued)**

**6. OUTSTANDING CLAIMS PROVISION (CONTINUED)**

2011	Not covered by risk transfer arrangement	Covered by risk transfer arrangement
<i>Analysis of movements in outstanding risk claims provision</i>		
Balance at the beginning of the year	79 691	101 974
Payments in respect of the prior year	(58 717)	(86 840)
Over provision in respect of the prior year	20 974	15 134
Adjustment for the current year	(15 974)	195 999
Balance at end of the year	5 000	211 133
Total outstanding risk claims provision	216 133	

*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. 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 four months from the service date;
- a weighted average of historic claims inflation is assumed to occur in the future;

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**6. OUTSTANDING CLAIMS PROVISION (CONTINUED)**

*Assumptions (continued)*

- 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:

	<b>Primary</b>	<b>Standard</b>	<b>Average</b>
- December	16%	0%	16%
- November	10%	0%	10%
- October	6%	0%	6%
- September	2%	0%	1%
- August and prior	0%	0%	0%

*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.

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

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Effect of a 1% decrease in assumed percentage	136	681
Effect of a 2% decrease in assumed percentage	275	1 376
Effect of a 3% decrease in assumed percentage	410	2 052

**7. RISK CONTRIBUTION INCOME**

Contributions	<u>6 036 758</u>	<u>5 127 313</u>
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**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2012 (continued)**

**8. NET CLAIMS INCURRED**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>Claims incurred excluding claims incurred in respect of risk transfer arrangement</b>		
Current year claims	24 398	16 023
Movement in outstanding claims provision	(3 520)	(15 974)
- Over provision in prior year (current year provision)	(4 520)	(20 974)
- Adjustment for current year	1 000	5 000
	<u>20 878</u>	<u>49</u>
<b>Claims incurred in respect of risk transfer arrangement</b>		
Current year claims	3 855 571	3 669 783
Outstanding claims provision	204 353	211 133
- Adjustment for current year	121 639	195 999
- Prior year over provision	82 714	15 134
	<u>4 059 924</u>	<u>3 880 916</u>
<b>Net claims incurred</b>	<u>4 080 802</u>	<u>3 880 965</u>

**9. NET EXPENSE ON RISK TRANSFER ARRANGEMENT**

Premiums paid on risk transfer arrangement - Metropolitan Health Risk Management (Pty) Ltd	(4 831 965)	(4 321 011)
Less:		
Recoveries from risk transfer arrangement - Metropolitan Health Risk Management (Pty) Ltd	4 059 924	3 880 916
<b>Net expense on risk transfer arrangement</b>	<u>(772 041)</u>	<u>(440 095)</u>

The Scheme renewed its risk transfer arrangement during 2012:

Hospital care for both options, excluding in-hospital cover for the Primary Option, are covered by the risk transfer arrangement with Metropolitan Health Risk Management (Pty) Ltd. The risk transfer agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement expired at the end of 2012, but is reviewed annually and is renewable depending on fee negotiations. The risk transfer premiums are charged on a per member and dependent basis.

**10. MANAGED CARE: MANAGEMENT SERVICES**

Specialist, hospital referrals and pre-authorisations	<u>207 758</u>	<u>194 655</u>
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**11. ADMINISTRATION AND OTHER EXPENDITURE**

Administrator's fees	569 401	518 959
Actuarial fees	57 000	53 010
Audit fees	142 500	128 090
Bank charges	29 902	30 336

**FISHING INDUSTRY MEDICAL SCHEME  
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**11. ADMINISTRATION AND OTHER EXPENDITURE (CONTINUED)**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Fidelity insurance	13 500	13 500
Levies: Council for Medical Schemes	19 163	17 103
Membership fees	6 532	6 367
Principal Officer remuneration	148 083	106 346
Printing, postage and communication	59 026	42 558
Rule registration costs	600	1 100
Staff costs	106 863	74 914
Travel and entertainment	6 439	5 953
Telephone	9 137	8 522
Other expenses	6 418	14 458
	<u>1 174 564</u>	<u>1 021 216</u>

**12. NET IMPAIRMENT REVERSAL ON INSURANCE AND OTHER RECEIVABLES**

**Insurance and other receivables**

Contributions that are not collectable	580	580
Movement in accumulated impairments	580	580
Members' and service providers' portions that are not recoverable	(14 001)	(7 734)
Movement in accumulated impairments	(12 345)	(7 734)
Written off during the year	(1 656)	-
	<u>(13 421)</u>	<u>(7 154)</u>

**13. INVESTMENT INCOME**

Available-for-sale investments interest income	143 824	143 232
Cash and cash equivalents interest income	226 909	241 093
	370 733	384 325

**14. SUNDRY INCOME**

Prescribed credit balances written back	7	367
Costs recovered from the sick fund	60 000	20 000
	<u>60 007</u>	<u>20 367</u>

**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, Metropolitan Health Risk Management (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.

Towers Watson 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.

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**15. RELATED PARTY DISCLOSURES (CONTINUED)**

**Parties with significant influence over the Scheme (continued)**

The Administrator/managed care organisation/risk transfer organisation does not fall within the definition of a related party - the information has been included due to the significance of the outsourcing relationship.

**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**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>Compensation</b>		
Short-term employment benefits	148 083	106 346
<b>Contributions and claims</b>		
Risk contributions received	44 772	30 873
Claims incurred	47 215	36 402

**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 2012.

**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 his/her individual capacity. All contributions were at the same terms as applicable to all members of the Scheme.

**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 all members of the Scheme.

**Transactions and balances with parties that have significant influence over the Scheme**

**Statement of comprehensive income**

Administration fees	569 401	518 959
Managed care fees	207 758	194 655
Risk transfer premiums	4 831 965	4 321 011
Recoveries on risk transfer arrangement	4 059 924	3 880 916

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**15. RELATED PARTY DISCLOSURES (CONTINUED)**

**Transactions and balances with parties that have significant influence over the Scheme  
(continued)**

**Statement of comprehensive income (continued)**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Actuarial fees	57 000	53 010
Travel and entertainment - Trustees	6 439	5 953

**Statement of financial position**

Risk transfer arrangement	204 353	211 133
Risk transfer premium fees due	(445 897)	(213 638)
Postage due - Administrator	(8 145)	(115)
Sundry accounts payable	(97 701)	(59 402)
Sundry accounts payable - Actuaries	(57 000)	-

**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 expired at the end of 2012, but is reviewed annually and is renewable depending on fee negotiations. The risk transfer premiums are charged on a per member and dependant basis. The risk transfer agreement has been renewed for 2013.

**16. GUARANTEES AND COMMITMENTS**

The Scheme has not provided any guarantees or commitments.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**17. (DEFICIT)/SURPLUS FROM OPERATIONS PER BENEFIT OPTION**

<b>2012</b>	<b>Standard R</b>	<b>Primary R</b>	<b>Total R</b>
<b>Risk contribution income</b>	3 066 168	2 970 590	6 036 758
<b>Relevant healthcare expenditure</b>	(2 787 710)	(2 065 133)	(4 852 843)
Net claims incurred	(2 230 148)	(1 850 654)	(4 080 802)
Third-party claim recoveries	-	-	-
Net expense on risk transfer arrangement	(557 562)	(214 479)	(772 041)
Premiums paid on risk transfer arrangement	(2 787 710)	(2 044 255)	(4 831 965)
Recoveries from risk transfer arrangement	2 230 148	1 829 776	4 059 924
<b>Gross healthcare result</b>	278 458	905 457	1 183 915
Managed care: Management services	(9 762)	(197 996)	(207 758)
Administration and other expenditure	(356 869)	(817 695)	(1 174 564)
Net impairment reversal on insurance and other receivables	(4 369)	(9 052)	(13 421)
<b>Net healthcare result</b>	(92 542)	(119 286)	(211 828)
<b>Other income</b>			
Investment income	112 302	258 431	370 733
Sundry income	18 832	41 175	60 007
<b>Net surplus for the year</b>	38 593	180 319	218 912
	<b>Standard R</b>	<b>Primary R</b>	<b>Total R</b>
<b>2011</b>			
<b>Risk contribution income</b>	2 424 358	2 702 955	5 127 313
<b>Relevant healthcare expenditure</b>	(2 317 444)	(1 998 565)	(4 316 009)
Net claims incurred	(1 983 476)	(1 897 489)	(3 880 965)
Third-party claim recoveries	-	5 051	5 051
Net expense on risk transfer arrangement	(333 968)	(106 127)	(440 095)
Premiums paid on risk transfer arrangement	(2 339 230)	(1 981 781)	(4 321 011)
Recoveries from risk transfer arrangement	2 005 262	1 875 654	3 880 916
<b>Gross healthcare result</b>	106 914	704 390	811 304
Managed care: Management services	(7 468)	(187 187)	(194 655)
Administration and other expenditure	(276 510)	(744 706)	(1 021 216)
Net impairment losses on insurance and other receivables	(1 504)	(5 650)	(7 154)
<b>Net healthcare result</b>	(178 568)	(233 153)	(411 721)
<b>Other income</b>			
Investment income	103 622	280 703	384 325
Sundry income	5 719	14 648	20 367
<b>Net (deficit)/surplus for the year</b>	(69 227)	62 198	(7 029)



**FISHING INDUSTRY MEDICAL SCHEME  
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**18. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Net surplus/(deficit) for the year	218 912	(7 029)
Adjustments for:		
- (Decrease)/increase in outstanding claims provision	(10 780)	34 468
- Interest income	(370 733)	(384 325)
- Impairment raised	13 421	7 154
Cash flows utilised in operations before working capital changes	<u>(149 180)</u>	<u>(349 732)</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.

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

**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.

**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.

**2012**

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
< 26	685	328	1 013
26 - 35	313	119	432
36 - 50	416	211	627
51 - 65	101	63	164
> 65	6	-	6
Total	1 521	721	2 242

**2011**

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
< 26	655	272	927
26 - 35	301	101	402
36 - 50	372	166	538
51 - 65	92	55	147
> 65	6	-	6
Total	1 426	594	2 020

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

**Concentration of insurance risk (continued)**

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.

**2012**

Age grouping (in years)	General practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
<26	-	3 726	-	-	162	-	3 888
26 - 35	-	6 369	-	26	-	-	6 395
36 - 50	-	10 640	-	-	-	-	10 640
51 - 65	-	3 475	-	-	-	-	3 475
>65	-	-	-	-	-	-	-
Metropolitan Health Risk Management (Pty) Ltd	1 883 349	534 407	263 469	283 767	806 756	288 176	4 059 924
Movement in IBNR provision	-	-	-	-	-	-	(3 520)
<b>Total</b>	<b>1 883 349</b>	<b>558 617</b>	<b>263 469</b>	<b>283 793</b>	<b>806 918</b>	<b>288 176</b>	<b>4 080 802</b>

**2011**

Age grouping (in years)	General practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
<26	-	5 416	-	-	335	-	5 751
26 - 35	-	6 263	-	60	-	-	6 323
36 - 50	-	2 989	-	-	-	-	2 989
51 - 65	-	960	-	-	-	-	960
>65	-	-	-	-	-	-	-
Metropolitan Health Risk Management (Pty) Ltd	1 750 038	431 095	304 423	298 865	788 174	308 321	3 880 916
Movement in IBNR provision	-	-	-	-	-	-	(15 974)
<b>Total</b>	<b>1 750 038</b>	<b>446 723</b>	<b>304 423</b>	<b>298 925</b>	<b>788 509</b>	<b>308 321</b>	<b>3 880 965</b>

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.

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

**Concentration of insurance risk (continued)**

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

Hospital benefits cover all costs incurred by members while they are in hospital to receive 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**

<b>2012</b>	<b>Loans and other receivables</b>	<b>Available-for-sale investments</b>	<b>Financial liabilities measured at amortised cost</b>	<b>Insurance receivables and payables</b>
Investments	-	2 466 944	-	-
Cash and cash equivalents	4 568 694	-	-	-
Insurance and other receivables				
- <i>Insurance receivables</i>	-	-	-	627 659
- <i>Other receivables</i>	128 798	-	-	-
Insurance and other payables				
- <i>Insurance payables</i>	-	-	-	545 006
- <i>Other payables</i>	-	-	210 039	-
Outstanding claims provision	-	-	-	205 353
	4 697 492	2 466 944	210 039	1 378 018

<b>2011</b>	<b>Loans and other receivables</b>	<b>Available-for-sale investments</b>	<b>Financial liabilities measured at amortised cost</b>	<b>Insurance receivables and payables</b>
Investments	-	2 317 786	-	-
Cash and cash equivalents	4 427 196	-	-	-

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

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

2011	Loans and other receivables	Available-for-sale investments	Financial liabilities measured at amortised cost	Insurance receivables and payables
Insurance and other receivables				
- <i>Insurance receivables</i>	-	-	-	550 677
- <i>Other receivables</i>	91 174	-	-	-
Insurance and other payables				
- <i>Insurance payables</i>	-	-	-	432 469
- <i>Other payables</i>	-	-	130 780	-
Outstanding claims provision	-	-	-	216 133
	4 518 370	2 317 786	130 780	1 199 279

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 59.38% (2011:59.93 %) of the Scheme's assets were 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	1 - 3 months	3 - 12 months	Over 1 year	Total
	R	R	R	R	R
<b>2012</b>					
Outstanding claims provision	94 571	61 354	49 428	-	205 353
Insurance payables					
- Contributions received in advance	1 267	-	-	-	1 267
- Reported claims not yet paid	97 791	-	-	-	97 791

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

**Liquidity risk (continued)**

	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2012</b>					
- Stale cheques	51	-	-	-	51
Other payables	67 539	142 500	-	-	210 039
<b>Total liabilities</b>	<b>707 116</b>	<b>203 854</b>	<b>49 428</b>	<b>-</b>	<b>960 398</b>
Cash and cash equivalents	4 568 694	-	-	-	4 568 694
<b>Excess liquidity</b>					<b>3 608 296</b>

	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2011</b>					
Outstanding claims provision	33 312	23 641	159 180	-	216 133
Insurance payables					
- Contributions received in advance	2 983	-	-	-	2 983
- Reported claims not yet paid	59 900	-	-	-	59 900
- Stale cheques	2 384	-	-	-	2 384
Other payables	2 690	128 090	-	-	130 780
<b>Total liabilities</b>	<b>468 471</b>	<b>151 731</b>	<b>159 180</b>	<b>-</b>	<b>779 382</b>
Cash and cash equivalents	4 427 196	-	-	-	4 427 196
<b>Excess liquidity</b>					<b>3 647 814</b>

**Credit risk**

The Scheme's principal 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.

Financial institution	2012	2011	Credit rating (Fitch National Long-Term Rating)	
			2012	2011
The Standard Bank of South Africa Ltd	258 361	238 006	AA	AA

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

**Credit risk (continued)**

The credit risk on liquid funds is limited because the counterparties are financial institutions with high credit ratings. The table below illustrates the majority of the exposure.

	<b>Neither past due, nor impaired</b>	<b>Past due, not impaired</b>	<b>Impaired</b>	<b>Total carrying amount</b>
<b>2012</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Insurance and other receivables	751 369	5 088	-	756 457
Insurance receivables	622 571	5 088	19 298	646 957
- Contributions outstanding	418 057	5 088	-	423 145
- Accounts recoverable from members and providers	161	-	19 298	19 459
- Outstanding claims provision on risk transfer arrangement	204 353	-	-	204 353
- Accumulated impairment losses	-	-	(19 298)	(19 298)
- Other receivables	128 798	-	-	128 798
Cash and cash equivalents	4 568 694	-	-	4 568 694
<b>Total</b>	<b>5 320 063</b>	<b>5 088</b>	<b>-</b>	<b>5 325 151</b>

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

**Credit risk (continued)**

	<b>Neither past due, nor impaired</b>	<b>Past due, not impaired</b>	<b>Impaired</b>	<b>Total carrying amount</b>
<b>2011</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Insurance and other receivables	637 471	4 380	-	641 851
Insurance receivables	546 297	4 380	7 533	558 210
- Contributions outstanding	336 551	3 575	-	340 126
- Accounts recoverable from members and providers	(1 387)	805	7 533	6 951
- Outstanding claims provision on risk transfer arrangement	211 133	-	-	211 133
- Accumulated impairment losses	-	-	(7 533)	(7 533)
- Other receivables	91 174	-	-	91 174
Cash and cash equivalents	4 427 196	-	-	4 427 196
<b>Total</b>	<b>5 064 667</b>	<b>4 380</b>	<b>-</b>	<b>5 069 047</b>



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

**Credit risk (continued)**

Age analysis of past due amounts:

	<b>30 days</b>	<b>60 days</b>	<b>90 days</b>	<b>Total</b>
<b>2012</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
- Contributions outstanding	3 331	1 122	635	5 088
- Accounts recoverable from members and providers	-	-	-	-
<b>Past due total</b>	<b>3 331</b>	<b>1 122</b>	<b>635</b>	<b>5 088</b>

	<b>30 days</b>	<b>60 days</b>	<b>90 days</b>	<b>Total</b>
<b>2011</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
- Contributions outstanding	2 485	1 090	-	3 575
- Accounts recoverable from members and providers	546	259	-	805
<b>Past due total</b>	<b>3 031</b>	<b>1 349</b>	<b>-</b>	<b>4 380</b>

**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.

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**21. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Equity risk**

The Scheme does not hold any equity or equity-based instruments directly 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.

<b>As at 31 December 2012</b>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Reclassif-ication</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Available-for-sale financial assets				
Collective Investment Schemes	2 466 944	-	-	-
Total	2 466 944	-	-	-

<b>As at 31 December 2011</b>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Reclassif-ication</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Available-for-sale financial assets				
Collective Investment Schemes	2 317 786	-	-	-
Total	2 317 786	-	-	-

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
<b>2012</b>		
Available-for-sale investments	2 466 944	2 466 944
Cash and cash equivalents	4 568 694	4 568 694
<b>Total</b>	<b>7 035 638</b>	<b>7 035 638</b>

<b>2011</b>		
Available-for-sale investments	2 317 786	2 317 786
Cash and cash equivalents	4 427 196	4 427 196
<b>Total</b>	<b>6 744 982</b>	<b>6 744 982</b>

***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 2012 would result in a decrease in members' funds of R36 588 (2011: R37 675).

An increase of 100 basis points in interest yield at 31 December 2012 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 112.48% at 31 December 2012 and 128.16% at 31 December 2011, which compares favourably with the prescribed minimum accumulated funds ratio of 25%.

**22. NON-COMPLIANCE MATTERS**

**Non-compliance with Regulation 30**

*Nature and impact*

Compliance with Annexure B could not be determined on a daily basis as required by Regulation 30, as the Scheme has invested in Collective Investment Schemes and therefore it is not possible for detailed information to be obtained on a daily basis.

**22. NON-COMPLIANCE MATTERS (CONTINUED)**

**Non-compliance with Regulation 30 (continued)**

*Causes for the failure*

The Scheme has invested in Collective Investment Schemes and therefore it is not possible for detailed information to be obtained on a daily basis.

*Corrective action*

The 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 at the latest three days after it is due. The contributions relate to April 2012 and the payment was received on 25 May.

*Causes for the failure*

The Employer incorrectly deposited the amount to one of its third parties instead of making the payment to Fishing Industry Medical Scheme and the relevant third party did not refund the Employer in a timely manner so that the payment could be made to Fishing Industry Medical Scheme.

*Corrective action*

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

**Sustainability of benefit options**

*Nature and impact*

Non-compliance with Sections 33(2)(b) and 33(2)(c) of the Act - financial performance and soundness of the Standard and Primary Options

*Causes for the failure*

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 Options incurred a net healthcare deficit of R92 542 and R119 286 respectively for the year ended 31 December 2012 and therefore did not comply with Sections 33(2)(b) and 33(2)(c).

*Corrective action*

The Scheme has provided the Registrar with a plan to address the following:

- *Measures that are in place to curb the rising claims ratio*

The Scheme provides limited primary care benefits and has outsourced the risk for hospital and network expenditure for both options to Metropolitan Health Risk Management (Pty) Ltd. The Scheme budgeted for losses on the Standard Option in line with the product design for 2012 in order for the losses to be absorbed by investment income. This was done to ensure that the Scheme provided accessible and affordable healthcare for low-income earners.

- *The Board's recovery plan to manage the solvency of the Scheme*

The Board is attempting to increase the number of beneficiaries by adjusting the benefits and contributions and marketing the Scheme. The Scheme has also entered into a capitation agreement with Metropolitan Health Risk Management (Pty) Ltd for the provision of primary healthcare benefits.