

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF



WILL BE HELD ON FRIDAY, 20 JUNE 2014 AT 10:00 AT THE TRAINING CENTRE,
I&J SOUTHARM, WATERFRONT.

AGENDA

1. To read the notice convening the Annual General Meeting
2. To confirm and sign the minutes of the Annual General Meeting held on Tuesday, 18 June 2013
3. To receive the Chairperson's report and Annual Financial Statements for the year ended 31 December 2013 and adopt the audited Annual Financial Statements for the year ended 31 December 2013
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 2014
 - 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 2014
7. Close

By order of the Board

ALIDA SPRAGUE (MS)
PRINCIPAL OFFICER

CAPE TOWN
MAY 2014

MINUTES OF THE 2014 ANNUAL GENERAL MEETING

A full set of the minutes of the Annual General Meeting of Fishing Industry Medical Scheme, held on 18 June 2013, is available on request.

FISHING INDUSTRY MEDICAL SCHEME CHAIRPERSON'S REVIEW

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.

2013 has been a good year for the Scheme, as it continued to report positive financial results and maintained a strong financial position. This is reflected in the reported surplus of R605 497 for the year and a reserve ratio of 102.13% at 31 December 2013. 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 13.5% over the period January to December 2013. The total number of members at the end of December 2013 was 1 009 compared to 889 at the end of December 2012. The average age of members, as well as the pensioner ratio, has also remained stable since 2012.

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 2014

**FISHING INDUSTRY MEDICAL SCHEME
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013**

BOARD OF TRUSTEES' RESPONSIBILITY STATEMENT

The Trustees of Fishing Industry Medical Scheme (the Scheme) are responsible for the preparation and fair presentation of the Annual Financial Statements, comprising the Statement of Financial Position at 31 December 2013, and 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 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 2013 set out on pages 14 to 44 were approved by the Board of Trustees and are signed on its behalf by:



Mr S Lawson
Chairperson



Ms ML Harry
Trustee



Ms A Sprague
Principal Officer

17 April 2014

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 and the investment managers. 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.



Mr S Lawson
Chairperson



Ms ML Harry
Trustee



Ms A Sprague
Principal Officer

17 April 2014

FISHING INDUSTRY MEDICAL SCHEME REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2013.

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

M Britz	
G Christy	Resigned 23 May 2013
G Erasmus	
Z Nzuzo	Elected 18 June 2013
S Waluwalu	Elected 18 June 2013

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) Limited

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) Limited

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

Accreditation no 26

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

1. MANAGEMENT (CONTINUED)

1.6 Investment managers during the year

Nedgroup Collective Investments Limited

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

Coronation Management Company (RF) (Pty) 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 Fund Managers SA (RF) (Pty) Limited

100 Grayston Drive	PO Box 785700
Sandown	Sandton
Sandton	2146
2196	

1.7 Actuaries

Towers Watson Actuaries & Consultants (Pty) Limited

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)**

2. DESCRIPTION OF SCHEME (CONTINUED)

2.3 Personal medical savings account

The Fishing Industry Medical Scheme does not have 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) Limited. 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 to 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 to 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 is 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 is 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.

Claims paid within 30 days of receipt

Nature and impact

In terms of the Medical Schemes Act and specifically Section 59(2), it is a requirement that claims should be paid within 30 days of receipt. The contravention of the Act could lead to service providers no longer providing services needed by the Scheme. During the financial year, four claim lines were identified where the above regulation had not been complied with.

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

4. NON-COMPLIANCE MATTERS (CONTINUED)

Claims paid within 30 days of receipt (continued)

Causes for the failure

The claims in respect of associated providers were not released for payment within 30 days of receipt due to the benefit reservation process in place. This process prioritises the payment of hospital accounts before those of the associated providers.

Corrective action

The Scheme has acknowledged that there will always be claims that are not processed within the 30 day statutory timeframe, as there are claims that require extensive investigation, which results in settlement of claims after 30 days. The Scheme will, however, enhance the review of the pending claims report to ensure that long outstanding claims are prioritised.

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 Primary Option.

Causes for the failure

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option must be self-supporting in terms of membership and financial performance and be financially sound. The Primary Option incurred a net healthcare deficit of R9 053 for the year ended 31 December 2013 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 insofar as addressing 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 to Metropolitan Health Risk Management (Pty) Limited. The Scheme budgeted for a loss on the Primary Option in line with the product design for 2013 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 by marketing the Scheme. The Scheme has also renewed the capitation agreement with Metropolitan Health Risk Management (Pty) Limited. 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.

**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

	2013	2012
	R	R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per Statement of Financial Position	7 442 868	6 831 697
Adjusted for revaluation reserve	<u>(47 299)</u>	<u>(41 625)</u>
Accumulated funds per Regulation 29 of the Act	<u>7 395 569</u>	<u>6 790 072</u>
Gross contributions	<u>7 241 084</u>	<u>6 036 758</u>
Accumulated funds ratio	<u>102.13%</u>	<u>112.48%</u>

The claims in respect of associated providers were not released for payment within 30 days of receipt due to the benefit reservation process in place. This process prioritises the payment of hospital accounts before those of the associated providers.

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 & Consultants (Pty) Limited to assist the Scheme in calculating 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:

- 19 April 2013; and
- 24 October 2013.

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

8. AUDIT COMMITTEE (CONTINUED)

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	Resigned 17 April 2014
- M Britz	Trustee	
- C Ackerman	Independent member	Resigned 5 August 2013
- C Wither	Independent member	Appointed 17 April 2014

The above-mentioned members also represent the Finance Committee.

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 2013 to 31 December 2013. 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 102.13%.
- Available cash and investment resources at year-end was in excess of R 7.5 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 is up until 31 December 2014 or an earlier date, as deemed by the Council for Medical Schemes. Despite this exemption, Council has expected 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.

Trustee/committee member	Board meetings		Audit Committee meetings		Finance Committee meetings	
	A	B	A	B	A	B
S Lawson	4	3	2	-	4	1
L Ngcauzele	4	1	-	-	-	-
D Ocks	4	4	-	-	-	-
ML Harry	4	3	2	1	4	3

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

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

Trustee/committee member	Board meetings		Audit Committee meetings		Finance Committee meetings	
	A	B	A	B	A	B
G Erasmus	4	4	-	-	-	-
S Waluwalu	2	-	-	-	-	-
Z Nzuzo	2	2	-	-	-	-
G Christy	2	2	-	-	-	-
J Ridl	-	-	2	2	4	4
C Ackerman	-	-	1	-	3	-
G Naylor	-	-	2	1	4	2
M Britz	4	4	2	2	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

14. OPERATIONAL STATISTICS FOR 2013

	Standard	Primary	Total
Average number of members for the accounting period	306	637	943
Number of members at the end of the accounting period	339	670	1 009
Average number of beneficiaries for the accounting period	770	1 556	2 326
Number of beneficiaries at the end of the accounting period	837	1 628	2 465
Average age of beneficiaries for the accounting period	26.7	25.9	26.0
Number of members joining the Scheme	100	136	236
Number of members leaving the Scheme	40	76	116
Dependant ratio	1.5	1.4	1.5
Pensioner ratio	0.0036	0.0037	0.0073
Average contributions per member per month (R)	1 034.2	450.5	639.9
Average contributions per beneficiary per month (R)	411.0	184.4	259.4
Average relevant healthcare expenditure per member per month (R)	864.6	304.9	486.5
Average relevant healthcare expenditure per beneficiary per month (R)	343.6	124.8	197.2
Average administration expense per member per month (R)	115.8	116.2	116.1
Average administration expense per beneficiary per month (R)	46.0	47.6	47.1
Average managed care services per member per month (R)	3.4	30.7	21.8
Average accumulated funds per member at 31 December (R)	N/A	N/A	7 330
Relevant healthcare expenditure as a % of contributions	83.6	67.7	76.0
Managed care: Management services as a percentage of contributions	0.3%	6.8%	3.4%
Non-healthcare expenses as a percentage of contributions	11.5%	32.6%	21.5%
Amount paid to Administrator (R)	224 527	467 397	691 924
Return on investments as % of investments	N/A	N/A	4.91%

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

14. OPERATIONAL STATISTICS FOR 2013 (CONTINUED)

Operational statistics for 2012

	Standard	Primary	Total
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 % of investments	N/A	N/A	5.27%

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

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 2013, 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 44.

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 2013, 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 22, to the Annual Financial Statements that details instances of non-compliance with the Medical Schemes Act of South Africa.

KPMG Inc

Per Tareq Carrim
Chartered Accountant (SA)
Registered Auditor
Director

17 April 2014

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF FINANCIAL POSITION
at 31 December 2013**

	Notes	2013 R	2012 R
ASSETS			
Non-current assets		2 610 824	2 466 944
Available-for-sale investments	2	2 610 824	2 466 944
Current assets		5 712 796	5 325 151
Insurance and other receivables	3	790 710	756 457
Cash and cash equivalents	4	4 922 086	4 568 694
Total assets		<u>8 323 620</u>	<u>7 792 095</u>
FUNDS AND LIABILITIES			
Members' funds		7 442 868	6 831 697
Accumulated funds		7 395 569	6 790 072
Revaluation reserve: Available-for-sale investments		47 299	41 625
Current liabilities		880 752	960 398
Insurance and other payables	5	653 245	755 045
Outstanding risk claims provision	6	227 507	205 353
Total funds and liabilities		<u>8 323 620</u>	<u>7 792 095</u>

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013**

	Notes	2013 R	2012 R
Risk contribution income	7	7 241 084	6 036 758
Relevant healthcare expenditure		(5 505 216)	(4 852 843)
Risk claims incurred	8	(4 985 274)	(4 080 802)
Net expense on risk transfer arrangement		(519 942)	(772 041)
Premiums paid on risk transfer arrangement	9	(5 504 867)	(4 831 965)
Recoveries from risk transfer arrangement	9	4 984 925	4 059 924
Gross healthcare result		1 735 868	1 183 915
Managed care: Management services	10	(246 910)	(207 758)
Administration and other expenditure	11	(1 313 664)	(1 174 564)
Net impairment reversed/(raised) on insurance and other receivables	12	511	(13 421)
Net healthcare result		175 805	(211 828)
Other income			
Investment income	13	369 641	370 733
Sundry income	14	60 051	60 007
Net surplus for the year		605 497	218 912
Other comprehensive income			
Fair value adjustment on available-for-sale investments		5 674	5 334
Total comprehensive income for the year		611 171	224 246

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2013**

	2013	2012
	R	R
Accumulated funds		
Balance at beginning of the year	6 790 072	6 571 160
Net surplus for the year	605 497	218 912
Balance at the end of the year	<u>7 395 569</u>	<u>6 790 072</u>
Revaluation reserve: Available-for-sale investments		
Balance at beginning of the year	41 625	36 291
Net unrealised gain on revaluation of available-for-sale investments	5 674	5 334
Balance at the end of the year	<u>47 299</u>	<u>41 625</u>
Members' funds	<u>7 442 868</u>	<u>6 831 697</u>

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF CASH FLOWS
for the year ended 31 December 2013**

		2013	2012
	Notes	R	R
Cash flows from operating activities			
Cash flows generated from/(utilised in) operations before working capital changes	18	257 499	(149 180)
Working capital changes		(133 842)	63 004
- Increase in insurance and other receivables		(32 042)	(128 792)
- (Decrease)/increase in insurance and other payables		(101 800)	191 796
		<hr/>	<hr/>
Cash generated from/(utilised in) operations		123 657	(86 176)
Interest received		367 941	371 498
Net cash flows from operating activities		491 598	285 322
Cash flows utilised in investing activities			
Reinvestment of investment income		(138 206)	(143 824)
Net increase in cash and cash equivalents		353 392	141 498
Cash and cash equivalents at the beginning of the year		4 568 694	4 427 196
Cash and cash equivalents at the end of the year	4	<hr/> 4 922 086	<hr/> 4 568 694

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013**

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 in accordance with the requirements of the Medical Schemes Act of South Africa 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 measured 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 timeframe 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 or 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 2013 (continued)**

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 reporting 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 measured at fair value. Units in collective investment schemes are valued at the repurchase price per the management company.

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).

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.4 Outstanding risk claims provision (continued)

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 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.

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 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 and 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 in terms of the Scheme's rules 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 prepayment.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.8 Risk transfer arrangements (continued)

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.

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 accumulated 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 income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in income is the difference between the acquisition cost and current fair value, less any impairment losses on that financial asset previously recognised in 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.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.11 Impairment losses (continued)

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.

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, 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 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 income, the impairment is reversed, with the amount of the reversal recognised in 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 the 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 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, the Scheme discloses a 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 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 Allocation of income and expenditure to benefit options

Income and expenditure are allocated to benefit options on a direct basis where this is determinable. Where income or expenditure is not directly attributable to a specific benefit option, the income or expenses are allocated on the basis of the benefit option's membership proportionate to the Scheme's overall membership base.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.16 Amendments to standards

New standards, amendments and interpretations effective in 2013 and relevant to the Scheme:

Effective date	Standard, amendment or interpretation	Summary of requirements
Annual periods beginning on or after 1 January 2011	IFRS 13 – Fair value measurement	IFRS 13 will be adopted by the Scheme for the first time for its financial reporting period ending 31 December 2013. IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. No retrospective adjustment of financial or non-financial assets and liabilities was required. Refer to Note 2 for financial assets measured at fair value.

New standards, amendments and interpretations not yet effective and relevant to the Scheme.

Effective date	Standard, amendment or interpretation	Summary of requirements
Annual periods beginning on or after 1 January 2015	IFRS 9 - Financial instruments	IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. The effective date of IFRS 9 was 1 January 2015. The effective date has been postponed and a new date is yet to be specified. The company will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised and impairment and macro-hedge accounting guidance is still outstanding. The company will assess the impact once the standard has been finalised and the effective date is known.
Annual periods beginning on or after 1 January 2014	IAS 32 - Offsetting financial assets and liabilities	The amendments address 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 amendment is to be applied retrospectively. The impact of this statement on the Scheme has not been assessed yet.

FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)

2. AVAILABLE-FOR-SALE INVESTMENTS

	2013	2012
	R	R
Fair value at the beginning of the year	2 466 944	2 317 786
Additions - Reinvestment of investment income	138 206	143 824
Net unrealised gain on revaluation of available-for-sale investments	5 674	5 334
	<u>2 610 824</u>	<u>2 466 944</u>
Fair value at the end of the year		
The available-for-sale investments in collective investment schemes are invested in:		
- Bonds, bills and securities	745 390	942 866
- Money-market instruments	1 311 417	1 524 078
- Shares in property companies	554 017	-
	<u>2 610 824</u>	<u>2 466 944</u>

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

3. INSURANCE AND OTHER RECEIVABLES

Insurance receivables

Contributions outstanding	526 592	423 145
Amounts recoverable from members and service providers	18 191	19 459
	<u>544 783</u>	<u>442 604</u>

Less:

Accumulated impairment losses	(18 787)	(19 298)
- Carrying amount at the beginning of the year	(19 298)	(7 533)
- Impairment losses reversed/(raised) during the year	511	(11 765)
	<u>525 996</u>	<u>423 306</u>

Add:

Risk transfer arrangement		
- Share of outstanding claims provision (note 6)	227 007	204 353
	753 003	627 659

Other receivables

Sundry accounts receivable	17 500	110 291
Accrued interest	20 207	18 507

Total insurance and other receivables

	<u>790 710</u>	<u>756 457</u>
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Analysis of movements in respect of risk transfer arrangement

Balance at the beginning of the year	204 353	211 133
Payments received in respect of prior year	(207 406)	(128 419)
(Under)/Over provision in prior year	(3 053)	82 714
Adjustments for current year	230 060	121 639
Balance at the end of the year	<u>227 007</u>	<u>204 353</u>

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

4. CASH AND CASH EQUIVALENTS

	2013	2012
	R	R
Call accounts	202 274	51 888
Current accounts	189 129	206 473
Money market	4 530 683	4 310 333
	<u>4 922 086</u>	<u>4 568 694</u>

The weighted average effective interest rate on call accounts was 4.74% (2012: 6.90%), current accounts 2.77% (2012: 2.76%) and on money-market collective investment schemes 5.02% (2012: 5.21%). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

5. INSURANCE AND OTHER PAYABLES

Insurance payables	505 504	545 006
Contributions received in advance	8 377	1 267
Reported claims not paid	-	97 791
Risk transfer arrangement premium	496 306	445 897
Stale cheques	821	51
Other payables	147 741	210 039
Accrued expenses	2 733	67 539
Audit fee accrual	145 008	142 500
	<u>653 245</u>	<u>755 045</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	97 791	59 900
Payments made	(97 791)	(59 900)
Adjustments for the current year	-	97 791
Balance at the end of the year	<u>-</u>	<u>97 791</u>

6. OUTSTANDING CLAIMS PROVISION

2013	Not covered by risk transfer arrangement	Covered by risk transfer arrangement
Provision for outstanding risk claims	<u>500</u>	<u>227 007</u>
Analysis of movements in outstanding risk claims provision		
Balance at the beginning of the year	1 000	204 353
Payments in respect of the prior year	(127)	(207 406)
Over/(under) provision in respect of the prior year	<u>873</u>	<u>(3 053)</u>

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

	Not covered by risk transfer arrangement	Covered by risk transfer arrangement
2013		
Adjustment for the current year	(373)	230 060
Balance at end of the year	<u>500</u>	<u>227 007</u>
Total outstanding risk claims provision	<u>227 507</u>	
2012		
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	<u>205 353</u>	

Process and assumptions used to prepare estimates

The process used to determine the assumptions over claims provisioning is intended to result in realistic estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out monthly. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

Each notified claim is assessed on a separate, case-by-case basis with due regard to the claim circumstances, information available from managed care: management services and historical evidence of the size of similar claims. The provisions are based on information currently available. However, the actual claims experience may vary from the estimate of outstanding claims provision. Reasons for this include differences in the underlying insurance contract, claims 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 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.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Process and assumptions used to prepare estimates (continued)

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 dependants; 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;
- claims are assumed to have reporting and settlement patterns that remain relatively stable over time;
- any distortions as a result of once-off events are isolated from the claims data set; and
- the time value of money is ignored in calculating the outstanding claims provision.

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

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

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

	Primary	Standard	Average
- December	11%	0%	11%
- November	0%	0%	0%
- October	0%	0%	0%
- September	0%	0%	0%
- August and prior	0%	0%	0%

Changes in assumptions and sensitivities to changes in key variables

The table below 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.

	2013	2012
	R	R
Effect of a 1% decrease in assumed percentage	68	136
Effect of a 2% decrease in assumed percentage	138	275
Effect of a 3% decrease in assumed percentage	205	410

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

7. RISK CONTRIBUTION INCOME	2013	2012
	R	R
Contributions	7 241 084	6 036 758
8. NET CLAIMS INCURRED		
Claims incurred, excluding claims incurred in respect of risk transfer arrangement		
Current year claims	722	24 398
Movement in outstanding claims provision	(373)	(3 520)
- Over provision in prior year	(873)	(4 520)
- Adjustment for current year	500	1 000
	349	20 878
Claims incurred in respect of risk transfer arrangement		
Current year claims	4 757 918	3 855 571
Outstanding claims provision	227 007	204 353
- Adjustment for current year	230 060	121 639
- Prior year (under)/over provision	(3 053)	82 714
	4 984 925	4 059 924
Net claims incurred	4 985 274	4 080 802
9. NET EXPENSE ON RISK TRANSFER ARRANGEMENT		
Premiums paid on risk transfer arrangement - Metropolitan Health Risk Management (Pty) Limited	(5 504 867)	(4 831 965)
Less:		
Recoveries from risk transfer arrangement - Metropolitan Health Risk Management (Pty) Limited	4 984 925	4 059 924
Net expense on risk transfer arrangement	(519 942)	(772 041)
The Scheme renewed its risk transfer arrangement during 2013:		
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) Limited. The risk transfer agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement expired at the end of 2013, 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 2014 agreement has been renewed.		
10. MANAGED CARE: MANAGEMENT SERVICES		
Specialist, hospital referrals and pre-authorisations	246 910	207 758

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

11. ADMINISTRATION AND OTHER EXPENDITURE

	2013	2012
	R	R
Administrator's fees	691 924	569 401
Actuarial fees	60 420	57 000
Audit fees	139 308	142 500
Bank charges	31 779	29 902
Fidelity insurance	13 500	13 500
Levies: Council for Medical Schemes	23 105	19 163
Membership fees	8 223	6 532
Principal Officer remuneration	160 562	148 083
Printing, postage and communication	45 647	59 026
Rule registration costs	1 300	600
Staff costs	115 171	106 863
Travel expenses – Principal Officer	7 670	6 439
Telephone	10 784	9 137
Other expenses	4 271	6 418
	<u>1 313 664</u>	<u>1 174 564</u>

12. NET IMPAIRMENT REVERSAL ON INSURANCE AND OTHER RECEIVABLES

Insurance and other receivables

Contributions that are not collectable	(596)	580
Movement in accumulated impairments	(596)	580
Members' and service providers' portions that are not recoverable	1 107	(14 001)
Movement in accumulated impairments	1 107	(12 345)
Written off during the year	-	(1 656)
	<u>511</u>	<u>(13 421)</u>

13. INVESTMENT INCOME

Available-for-sale investments interest income	138 206	143 824
Cash and cash equivalents interest income	231 435	226 909
	<u>369 641</u>	<u>370 733</u>

14. SUNDRY INCOME

Prescribed credit balances written back	51	7
Costs recovered from the sick fund	60 000	60 000
	<u>60 051</u>	<u>60 007</u>

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

15. RELATED PARTY DISCLOSURES

Parties with significant influence over the Scheme

Metropolitan Health Corporate (Pty) Limited (MHC) has significant influence over the Scheme, as they provide 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) Limited, a wholly-owned subsidiary of Metropolitan Health Corporate (Pty) Limited, has significant influence over the Scheme as managed care and capitation provider, but does not control the Scheme.

Towers Watson Actuaries & Consultants (Pty) Limited has significant influence over the Scheme, as they consult and advise on various strategic issues which guide the Scheme's operations, but does not control the Scheme.

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 relationships.

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 that have been entered into with related parties for the relevant financial year.

Statement of Comprehensive Income

	2013	2012
	R	R
Compensation		
Short-term employment benefits	160 562	148 083
Contributions and claims		
Risk contributions received	31 530	44 772
Claims incurred	15 137	47 215

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 2013.

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

Contributions received

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

15. RELATED PARTY DISCLOSURES (CONTINUED)

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

	2013	2012
	R	R
Statement of Comprehensive Income		
Administration fees	691 924	569 401
Managed care fees	246 910	207 758
Risk transfer premiums	5 504 867	4 831 965
Recoveries on risk transfer arrangement	4 984 925	4 059 924
Actuarial fees	60 420	57 000
- Travel expenses – Principal Officer	7 670	6 439
 Statement of Financial Position		
Risk transfer arrangement recoveries receivable	227 007	204 353
Risk transfer premium fees due	(496 306)	(445 897)
Postage due - Administrator	(19)	(8 145)
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 2013, 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 2014.

16. GUARANTEES AND COMMITMENTS

The Scheme has not provided any guarantees or commitments.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

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

2013	Standard R	Primary R	Total R
Risk contribution income	3 797 566	3 443 518	7 241 084
Relevant healthcare expenditure	(3 174 935)	(2 330 281)	(5 505 216)
Net claims incurred	(2 922 316)	(2 062 958)	(4 985 274)
Net expense on risk transfer arrangement	(252 619)	(267 323)	(519 942)
Premiums paid on risk transfer arrangement	(3 174 935)	(2 329 932)	(5 504 867)
Recoveries from risk transfer arrangement	2 922 316	2 062 609	4 984 925
Gross healthcare result	622 631	1 113 237	1 735 868
Managed care: Management services	(12 569)	(234 341)	(246 910)
Administration and other expenditure	(425 399)	(888 265)	(1 313 664)
Net impairment reversal on insurance and other receivables	195	316	511
Net healthcare result	184 858	(9 053)	175 805
Other income			
Investment income	119 947	249 694	369 641
Sundry income	20 176	39 875	60 051
Net surplus for the year	324 981	280 516	605 497
	Standard R	Primary R	Total R
2012			
Risk contribution income	3 066 168	2 970 590	6 036 758
Relevant healthcare expenditure	(2 787 710)	(2 065 133)	(4 852 843)
Net claims incurred	(2 230 148)	(1 850 654)	(4 080 802)
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
Gross healthcare result	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 losses on insurance and other receivables	(4 369)	(9 052)	(13 421)
Net healthcare result	(92 542)	(119 286)	(211 828)
Other income			
Investment income	112 302	258 431	370 733
Sundry income	18 832	41 175	60 007
Net surplus for the year	38 592	180 320	218 912

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

18. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES

	2013	2012
	R	R
Net surplus for the year	605 497	218 912
Adjustments for:		
- Increase/(decrease) in outstanding claims provision	22 154	(10 780)
- Interest income	(369 641)	(370 733)
- Impairment (reversed)/raised	(511)	13 421
Cash flows utilised in operations before working capital changes	257 499	(149 180)

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
for the year ended 31 December 2013 (continued)**

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 claims 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.

2013

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
< 26	715	372	1 087
26 - 35	330	147	477
36 - 50	471	243	714
51 - 65	106	72	178
> 65	6	3	9
Total	1 628	837	2 465

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

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

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

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

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.

2013

Age grouping (in years)	General practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
<26	-	-	-	-	-	-	-
26 - 35	-	-	-	66	-	-	66
36 - 50	-	-	-	656	-	-	656
51 - 65	-	-	-	-	-	-	-
>65	-	-	-	-	-	-	-
Metropolitan Health Risk Management (Pty) Limited Movement in IBNR provision	2 199 868	754 663	355 794	311 289	1 027 603	335 708	4 984 925
	-	-	-	-	-	-	(373)
Total	2 199 868	754 663	355 794	312 011	1 027 603	335 708	4 985 274

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) Limited Movement in IBNR provision	1 883 349	534 407	263 469	283 767	806 756	288 176	4 059 924
	-	-	-	-	-	-	(3 520)
Total	1 883 349	558 617	263 469	283 793	806 918	288 176	4 080 802

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.

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.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

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

2013	Loans and other receivables	Available-for-sale investments	Financial liabilities measured at amortised cost	Insurance receivables and payables
Investments	-	2 610 824	-	-
Cash and cash equivalents	4 922 086	-	-	-
Insurance and other receivables	-	-	-	753 003
- <i>Insurance receivables</i>	-	-	-	-
- <i>Other receivables</i>	37 707	-	-	-
Insurance and other payables	-	-	-	505 504
- <i>Insurance payables</i>	-	-	-	-
- <i>Other payables</i>	-	-	147 741	-
Outstanding claims provision	-	-	-	227 507
	4 959 793	2 610 824	147 741	1 486 014

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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 59.13% (2012: 59.38%) 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
2013					
Outstanding claims provision	184 698	32 805	10 004	-	227 507
Insurance payables					
- Contributions received in advance	8 377	-	-	-	8 377
- Risk transfer arrangement premiums due	496 306	-	-	-	496 306
- Stale cheques	821	-	-	-	821
Other payables	2 733	145 008	-	-	147 741
Total liabilities	692 935	177 813	10 004	-	880 752
Cash and cash equivalents	4 922 086	-	-	-	4 922 086
Excess liquidity	-	-	-	-	4 041 334

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

Liquidity risk (continued)

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

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	2013	2012	Credit rating (Fitch National Long-Term Rating)	
			2013	2012
The Standard Bank of South Africa Limited	391 403	258 361	BBB	AA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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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.

	Neither past due, nor impaired	Past due, not impaired	Impaired	Total carrying amount
2013	R	R	R	R
Insurance and other receivables	783 231	7 479	-	790 710
Insurance receivables	745 524	7 479	18 787	771 790
- Contributions outstanding	518 517	7 479	596	526 592
- Accounts recoverable from members and providers	-	-	18 191	18 191
- Outstanding claims provision on risk transfer arrangement	227 007	-	-	227 007
- Accumulated impairment losses	-	-	(18 787)	(18 787)
- Other receivables	37 707	-	-	37 707
Cash and cash equivalents	4 922 086	-	-	4 922 086
Total	5 705 317	7 479	-	5 712 796

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

	Neither past due, nor impaired	Past due, not impaired	Impaired	Total carrying amount
2012	R	R	R	R
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
Total	5 320 063	5 088	-	5 325 151

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Age analysis of past due amounts:

	30 days	60 days	90 days	Total
2013	R	R	R	R
- Contributions outstanding	4 031	3 106	342	7 479
Past due total	4 031	3 106	342	7 479

	30 days	60 days	90 days	Total
2012	R	R	R	R
- Contributions outstanding	3 331	1 122	635	5 088
Past due total	3 331	1 122	635	5 088

Market risk

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

Currency risk

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

Equity risk

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

As at 31 December 2013	<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	2 610 824	-	-	-
Total	2 610 824	-	-	-

As at 31 December 2012	<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	-	-	-

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2013 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation (continued)

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.

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>
2013	R	R
Available-for-sale investments	2 610 824	2 610 824
Cash and cash equivalents	4 922 086	4 922 086
Total	7 532 910	7 532 910

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

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 2013 would result in a decrease in members' funds of R36 840 (2012: R36 588).

An increase of 100 basis points in interest yields at 31 December 2013 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.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 102.13% at 31 December 2013 and 112.48% at 31 December 2012, which compares favourably to 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.

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.

Claims paid within 30 days of receipt

Nature and impact

In terms of the Medical Schemes Act and specifically Section 59(2), it is a requirement that claims should be paid within 30 days of receipt. The contravention of the Act could lead to service providers no longer providing services needed by the Scheme. During the financial year, four claims lines were identified, where the above regulation had not been complied with.

Causes for the failure

The claims in respect of associated providers were not released for payment within 30 days of receipt due to the benefit reservation process in place. This process prioritises the payment of hospital accounts before those of the associated providers.

Corrective action

The Scheme has acknowledged that there will always be claims that are not processed within the 30 days statutory timeframe, as there are claims that require extensive investigation, which results in settlement of claims after 30 days. The Scheme will, however, enhance the review of the pending claims report to ensure that long outstanding claims are prioritised.

Sustainability of benefit options

Nature and impact

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

22. NON - COMPLIANCE MATTERS (CONTINUED)

Sustainability of benefit 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 Primary Option incurred a net healthcare deficit of R9 053 for the year ended 31 December 2013 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 insofar as addressing the following:

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

The Scheme provides limited primary care benefits and has outsourced the risk for hospital and network expenditure to Metropolitan Health Risk Management (Pty) Limited. The Scheme budgeted for a loss on the Primary Option in line with the product design for 2013 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 by marketing the Scheme. The Scheme has also entered into a capitation agreement with Metropolitan Health Risk Management (Pty) Limited for the provision of primary healthcare benefits.

The claims in respect of associated providers were not released for payment within 30 days of receipt due to the benefit reservation process in place. This process prioritises the payment of hospital accounts before those of the associated providers.

In terms of the Medical Schemes Act and specifically Section 59(2), it is a requirement that claims should be paid within 30 days of receipt. The contravention of the Act could lead to service providers no longer providing services needed by the Society.