

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF



WILL BE HELD ON FRIDAY, 19 JUNE 2015 AT 10:00 AT THE TRAINING CENTRE,  
I&J SOUTHARM, WATERFRONT.

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**AGENDA**

1. To read the notice convening the Annual General Meeting
2. To confirm and sign the minutes of the Annual General Meeting held on Friday, 20 June 2014
3. To receive the Chairperson's report and Annual Financial Statements for the year ended 31 December 2014 and adopt the audited Annual Financial Statements for the year ended 31 December 2014
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 2015
  - 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 2015
7. Close

By order of the Board

**ALIDA SPRAGUE (MS)**  
PRINCIPAL OFFICER

CAPE TOWN  
MAY 2015

**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 20 June 2014, is available on request.

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

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

2014 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 R1 036 796 for the year and a reserve ratio of 94.95% at 31 December 2014. 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 remained at 1 009 as at the end of December 2014. The average age of members, as well as the pensioner ratio, has remained stable since 2013.

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.



**MS ML HARRY**  
CHAIRPERSON

MAY 2015

**FISHING INDUSTRY MEDICAL SCHEME  
FINANCIAL STATEMENTS  
for the year ended 31 December 2014**

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**BOARD OF TRUSTEES' RESPONSIBILITY STATEMENT**

The Trustees of Fishing Industry Medical Scheme (the Scheme) are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2014, 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 financial statements are fairly presented in accordance with the applicable financial reporting framework.

**Approval of the financial statements**

The financial statements for the year ended 31 December 2014, set out on pages 13 to 44, were approved by the Board of Trustees and are signed on its behalf by:



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**MS ML HARRY**  
CHAIRPERSON



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**MR M BRITZ**  
TRUSTEE



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**MS A SPRAGUE**  
PRINCIPAL OFFICER

28 APRIL 2015

**FISHING INDUSTRY MEDICAL SCHEME  
FINANCIAL STATEMENTS  
for the year ended 31 December 2014**

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**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.



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**MS ML HARRY**  
CHAIRPERSON



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**MR M BRITZ**  
TRUSTEE



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**MS A SPRAGUE**  
PRINCIPAL OFFICER

28 APRIL 2015

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

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The Board of Trustees hereby presents its report for the year ended 31 December 2014.

Registration number: 1271

**1. MANAGEMENT**

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

**Employer Trustees**

S Lawson (Chairperson)	Resigned 31 May 2014
D Ocks	Resigned 5 June 2014
J Ridl (Chairperson)	Appointed 5 June 2014; resigned 31 January 2015
I Dwayi	Appointed 5 June 2014
ML Harry (Chairperson)	Appointed 27 February 2015
L Ngcauzele	

**Member Trustees**

M Britz	
Z Nzuzo	
NJ Hlhakala	Appointed 20 June 2014
G Erasmus	Resigned 20 June 2014
S Waluwalu	Resigned 26 September 2014

**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	8001
8001	

**1.4 Medical Scheme Administrator**

**Metropolitan Health Corporate (Pty) Ltd**

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

Accreditation no 17

**1.5 Managed care and capitation provider during the year**

**Metropolitan Health Risk Management (Pty) Ltd**

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

Accreditation no 26

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

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**1. MANAGEMENT (CONTINUED)**

**1.6 Investment managers during the year**

**Nedgroup Collective Investments Limited**

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

**Coronation 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 and Consultants (Pty) Limited**

Great Westerford Building	Private Bag X30
2 <sup>nd</sup> 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 offers two options to members.

These are:

- Standard; and
- Primary.

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

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

**2.3 Personal medical savings account**

The Fishing Industry Medical Scheme does not have personal medical savings accounts.

**2.4 Corporate governance**

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

**2.5 Risk transfer arrangement**

The Scheme renewed the risk transfer arrangement with Metropolitan Health Risk Management (Pty) Ltd. The arrangement caters for hospital and related benefits for all members and beneficiaries registered on both options. The Scheme, however, 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 of the Act; and
- a risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified.

**4. NON-COMPLIANCE MATTERS**

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

**Compliance with Regulation 30**

*Nature and impact*

Compliance with Annexure B could not be determined on a daily basis as required by Regulation 30 as the Scheme 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.

**Non-compliance with Section 59(2) of the Act - 30 day rule**

*Nature and impact*

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

*Causes for the failure*

A number of processes result in claims being placed on hold due to clinical referrals.

*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 claims on hold process will be enhanced to notify the member and provider from 20 days instead of the normal 30 day notification. This enhancement is to accommodate the three-week payment run.

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

**5.1 Results of operations**

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

**5.2 Accumulated funds ratio**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per statement of financial position	8 487 538	7 442 868
Adjusted for revaluation reserve	(55 173)	(47 299)
Accumulated funds per Regulation 29 of the Act	<u>8 432 365</u>	<u>7 395 569</u>
Gross contributions	<u>8 880 923</u>	<u>7 241 084</u>
Accumulated funds ratio	<u>94.95%</u>	<u>102.13%</u>

**5.3 Reserve accounts**

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

**5.4 Outstanding claims provision**

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

**6. ACTUARIAL SERVICES**

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



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

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**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 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:

- 17 April 2014; and
- 24 October 2014.

The Chairperson of the Scheme, the financial manager and external Auditors are invited to 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	Resigned 31 January 2015
M Britz	Trustee	
ML Harry	Trustee	
S Lawson	Trustee	Resigned 31 May 2014
Z Blaauw	Independent member	Appointed 08 August 2014
R Ebrahiem	Chairperson and independent member	Appointed 22 August 2014 resigned 30 November 2014
C Wither	Independent member	Appointed 17 April 2014 resigned 30 March 2015
T van der Westhuizen	Chairperson and independent member	Appointed 22 February 2015
H Hendrikse	Independent member	Appointed 22 April 2015
G Nortjie	Independent member	Appointed 22 April 2015

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 which 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 2014 to 31 December 2014. 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 94.95%; and
- available cash and investment resources at year-end was in excess of R8.4 million.

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

**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 2016 or to an earlier date, as deemed by the Council for Medical Schemes. Despite this exemption, Council has requested the Scheme to submit clinical data to the Risk Equalisation Fund since the beginning of 2005.

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

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

Trustees/committee member	Board meetings		Audit Committee meetings		Finance Committee meetings	
	A	B	A	B	A	B
S Lawson	1	1	1	1	2	2
L Ngcauzele	4	3	-	-	-	-
N Tlhakala	2	2	-	-	-	-
ML Harry	4	4	2	1	4	2
G Erasmus	1	1	-	-	-	-
S Waluwalu	3	2	-	-	-	-
Z Nzuzo	4	4	-	-	-	-
I Dwayi	2	1	-	-	-	-
J Ridl	3	3	2	2	4	4
R Ebrahiem	-	-	1	1	2	2
C Wither	-	-	2	2	4	3
M Britz	4	3	2	1	4	3
Z Blaauw	-	-	1	1	2	1
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 2014**

	Standard	Primary	Total
Average number of members for the accounting period	402	670	1 072
Number of members at the end of the accounting period	447	670	1 117
Average number of beneficiaries for the accounting period	949	1 638	2 587
Number of beneficiaries at the end of the accounting period	1 045	1 660	2 705
Average age of beneficiaries for the accounting period	26.6	26.0	26.0
Number of members joining the Scheme	155	96	251
Number of members leaving the Scheme	47	96	143
Dependant ratio	1.3	1.5	1.4
Pensioner ratio	0.0057	0.24	0.37
Average contributions per member per month (R)	1 038.9	481.2	690.4
Average contributions per beneficiary per month (R)	440.1	196.8	286.1
Average relevant healthcare expenditure per member per month (R)	849.0	303.8	508.2

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

**14. OPERATIONAL STATISTICS FOR 2014 (CONTINUED)**

	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
Average relevant healthcare expenditure per beneficiary per month (R)	359.6	124.3	210.6
Average administration expense per member per month (R)	119.3	118.9	119.1
Average administration expense per beneficiary per month (R)	50.6	48.6	49.3
Average managed care services per member per month (R)	3.5	33.0	21.9
Average accumulated funds per member at 31 December (R)	N/A	N/A	7 549
Relevant healthcare expenditure as a percentage of contributions	81.7%	63.1%	73.6%
Managed care: Management services as a percentage of contributions	0.3%	6.8%	3.2%
Non-healthcare expenses as a percentage of contributions	11.8%	31.5%	20.4%
Amount paid to Administrator (R)	314 310	523 849	838 159
Return on investments as percentage of investments	N/A	N/A	5.24%

**OPERATIONAL STATISTICS FOR 2013**

	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
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 percentage 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 percentage of investments	N/A	N/A	4.91%

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

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**Report on the financial statements**

We have audited the financial statements of Fishing Industry Medical Scheme (the Scheme), as set out on pages 13 to 44 which comprise the statement of financial position at 31 December 2014, and the statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

***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 the requirements of 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 about 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, these financial statements present fairly, in all material respects, the financial position of Fishing Industry Medical Scheme at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

***Non-compliance with the Medical Schemes Act of South Africa***

As required by the Council for Medical Schemes, we report the following material instance of non-compliance with the requirements of the Medical Schemes Act of South Africa, as amended, that have come to our attention during the course of our audit:

1. Non-compliance with Regulation 30 of the Medical Schemes Act of South Africa - monitoring of compliance with Annexure B; and
2. Non-compliance with Section 59(2) of the Medical Schemes Act of South Africa - claims paid late.

**KPMG Inc**

Per Tareq Carrim  
Chartered Accountant (SA)  
Registered Auditor  
Director

17 April 2015

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF FINANCIAL POSITION  
at 31 December 2014**

	Notes	2014 R	2013 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Available-for-sale investments	2	2 776 727	2 610 824
<b>Current assets</b>			
Insurance and other receivables	3	998 982	790 710
Cash and cash equivalents	4	5 701 658	4 922 086
<b>Total assets</b>		9 477 367	8 323 620
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
Accumulated funds		8 432 365	7 395 569
Revaluation reserve: Available-for-sale investments		55 173	47 299
<b>Current liabilities</b>			
Insurance and other payables	5	790 705	653 245
Outstanding risk claims provision	6	199 124	227 507
<b>Total funds and liabilities</b>		9 477 367	8 323 620

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2014**

	Notes	2014 R	2013 R
<b>Risk contribution income</b>	7	8 880 923	7 241 084
<b>Relevant healthcare expenditure</b>		(6 537 945)	(5 505 216)
Risk claims incurred	8	(5 833 422)	(4 985 274)
Net expense on risk transfer arrangement		(704 523)	(519 942)
Premiums paid on risk transfer arrangement	9	(6 883 961)	(5 504 867)
Recoveries from risk transfer arrangement	9	5 831 673	4 984 925
Profit share	9	347 765	-
<b>Gross healthcare result</b>		<u>2 342 978</u>	<u>1 735 868</u>
Managed care: Management services	10	(281 943)	(246 910)
Administration and other expenditure	11	(1 531 484)	(1 313 664)
Net impairment reversed on insurance and other receivables	12	<u>2 704</u>	<u>511</u>
<b>Net healthcare result</b>		532 255	175 805
<b>Other income</b>			
Investment income	13	486 390	409 282
Sundry income	14	60 000	60 051
Management fees	13	(41 849)	(39 641)
<b>Net surplus for the year</b>		<u>1 036 796</u>	<u>605 497</u>
<b>Other comprehensive income</b>			
Fair value adjustment on available-for-sale investments		7 874	5 674
<b>Total comprehensive income for the year</b>		<u><b>1 044 670</b></u>	<u><b>611 171</b></u>

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF CHANGES IN FUNDS AND RESERVES  
for the year ended 31 December 2014**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>Accumulated funds</b>		
Balance at beginning of the year	7 395 569	6 790 072
Net surplus for the year	<u>1 036 796</u>	<u>605 497</u>
Balance at the end of the year	<u><u>8 432 365</u></u>	<u><u>7 395 569</u></u>
<b>Revaluation reserve: Available-for-sale investments</b>		
Balance at beginning of the year	47 299	41 625
Net unrealised gain on revaluation of available-for-sale investments	<u>7 874</u>	<u>5 674</u>
Balance at the end of the year	<u><u>55 173</u></u>	<u><u>47 299</u></u>
Members' funds	<u><u>8 487 538</u></u>	<u><u>7 442 868</u></u>

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF CASH FLOWS  
for the year ended 31 December 2014**

	Note	2014 R	2013 R
<b>Cash flows from operating activities</b>			
Cash flows generated from operations before working capital changes	18	561 168	257 499
Working capital changes		(62 427)	(133 842)
- Increase in insurance and other receivables		(199 887)	(32 042)
- Increase/(decrease) in insurance and other payables		137 460	(101 800)
Cash generated from operations		498 741	123 657
Interest received		438 860	367 941
<b>Net cash flows from operating activities</b>		937 601	491 598
<b>Cash flows utilised in investing activities</b>			
Reinvestment of investment income		(158 029)	(138 206)
<b>Net increase in cash and cash equivalents</b>		779 572	353 392
Cash and cash equivalents at the beginning of the year		4 922 086	4 568 694
<b>Cash and cash equivalents at the end of the year</b>	4	5 701 658	4 922 086



**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2014**

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**1. PRINCIPAL ACCOUNTING POLICIES**

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

***Statement of compliance***

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in accordance with the requirements of the Medical Schemes Act of South Africa, No 131 of 1998.

**1.1 Basis of preparation**

The financial statements provide information about the financial position, results of operations and changes in financial position of the Scheme. These have been prepared under 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; that is, when the obligation specified in the contract is discharged, cancelled or has expired.

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

All purchases and sales of financial assets that require delivery within the 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 2014 (continued)**

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

**1.2 Financial instruments (continued)**

*Available-for-sale investments (continued)*

These are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from 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.

*Unconsolidated investment structures*

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Scheme has determined that its investments in collective investment schemes ('funds') are investments in unconsolidated structured entities. The Scheme invests in these funds, whose objectives range from achieving medium to long-term capital growth and whose investment strategy does not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

The change in fair value of each fund is included in the statement of other comprehensive income in fair value adjustment on investments.

*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 of fixed deposits held for a period of up to 12 months, deposits held on call with banks, cash on hand and other short-term liquid investments. These deposits can be withdrawn at any time without incurring penalties. Cash and cash equivalents are classified as loans and receivables.

*Financial liabilities*

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

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2014 (continued)**

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

**1.2 Financial instruments (continued)**

*Offset*

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

**1.3 Provisions**

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

**1.4 Outstanding risk claims provision**

Claims outstanding comprise provisions for the Scheme's estimate of the ultimate cost of settling claims incurred, but not yet reported at the reporting date (and related internal and external claims-handling expenses). Claims outstanding are determined as accurately as possible but depends on a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in 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 equals 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.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2014 (continued)**

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

**1.7 Claims incurred (continued)**

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 prepayments. The profit share earned on the risk transfer arrangement is recognised in income when the Scheme has a contractual right to the benefit.

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.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2014 (continued)**

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

**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.

*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.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2014 (continued)**

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

**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 No. 56 of 1996. If the members are reimbursed by the RAF, they are obliged contractually to cede that payment to the Scheme to the extent that they have already been compensated.

A reimbursement from the RAF is a possible asset that arises from a claim submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme. If an inflow of economic benefits has become probable, 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 is allocated on the basis of the benefit option's membership proportionate to the Scheme's overall membership base.

The following items are directly allocated to benefit options:

- risk contributions;
- risk claims incurred; and
- net income/expense on risk transfer arrangements.

The remaining items are apportioned based on the number of members on each related option:

- other administration expenditure;
- other income;
- other expenditure;
- managed care management services;
- administration fees; and
- investment income.

**1.16 Standards and interpretations**

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

**IFRS 9 financial instruments**

IFRS 9 financial instruments (effective 1 January 2018) - IFRS 9 contains three principal classification categories for financial assets, ie measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale are removed. IFRS 9 retains almost all of the existing requirements from IAS 39 for financial liabilities. However, any gain or loss on a financial liability designated at FVTPL, attributable to changes in own credit risk, is generally presented in OCI with remaining change in fair value presented in profit or loss. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' approach for debt instruments measured at amortised cost or FVOCI.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2014 (continued)**

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

**1.16 Standards and interpretations (continued)**

**IFRS 9 financial instruments (continued)**

IFRS 9 will align hedge accounting more closely with risk management of an entity. In terms of IFRS 9 additional exposures may be hedged items. IFRS 9 will be adopted for the first time for the year ending 31 December 2018. The impact on the financial statements has not yet been estimated.

**STANDARDS ADOPTED IN THE CURRENT YEAR**

The following standards are effective for the current financial year. The Scheme complies with the new standard from the effective date.

**IAS 32 offsetting financial assets and financial liabilities**

The amendments address inconsistencies in applying the offsetting criteria and clarify that offsetting liabilities are required:

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

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

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

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Fair value at the beginning of the year	2 610 824	2 466 944
Additions – reinvestment of investment income	158 029	138 206
Net unrealised gain on revaluation of available-for-sale investments	7 874	5 674
	<u>2 776 727</u>	<u>2 610 824</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	767 763	745 390
- Money-market instruments	1 930 938	1 311 417
- Shares in property companies	78 026	554 017
	<u>2 776 727</u>	<u>2 610 824</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	476 553	526 592
Amounts recoverable from members and service providers	15 699	18 191
	<u>492 252</u>	<u>544 783</u>

**FISHING INDUSTRY MEDICAL SCHEME**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2014 (continued)**

**3. INSURANCE AND OTHER RECEIVABLES (CONTINUED)**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Less:		
Accumulated impairment losses	(15 487)	(18 787)
- Carrying amount at the beginning of the year	(18 787)	(19 298)
- Impairment losses reversed during the year	3 300	511
	<u>476 765</u>	<u>525 996</u>
Add:		
Risk transfer arrangement		
- Share of outstanding claims provision (Note 6)	198 624	227 007
- Profit share receivable	285 205	-
	<u>960 594</u>	<u>753 003</u>
<b>Other receivables</b>		
Sundry accounts receivable	12 500	17 500
Accrued interest	25 888	20 207
	<u>998 982</u>	<u>790 710</u>
<b>Total insurance and other receivables</b>		
	<u><u>998 982</u></u>	<u><u>790 710</u></u>
<b>Analysis of movements in respect of risk transfer arrangement</b>		
Balance at the beginning of the year	227 007	204 353
Payments received in respect of prior year	(236 490)	(207 406)
Under provision in prior year	(9 483)	(3 053)
Adjustments for current year	208 107	230 060
Balance at the end of the year	<u>198 624</u>	<u>227 007</u>

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

**4. CASH AND CASH EQUIVALENTS**

Call accounts	591 723	202 274
Current accounts	320 671	189 129
Money-market	4 789 264	4 530 683
	<u>5 701 658</u>	<u>4 922 086</u>

The weighted average effective interest rate on call accounts was 4.96% (2013: 4.74%), current accounts 3.10% (2013: 2.77%) and on money-market collective investment scheme 6.25% (2013: 5.02%). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.



**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**5. INSURANCE AND OTHER PAYABLES**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>Insurance payables</b>	616 419	505 504
Contributions received in advance	6 429	8 377
Risk transfer arrangement premium	608 969	496 306
Stale cheques	1 021	821
<b>Other payables</b>	174 286	147 741
Accrued expenses	20 614	2 733
Audit fee accrual	153 672	145 008
	<u>790 705</u>	<u>653 245</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
Payments made	-	(97 791)
Adjustments for the current year	-	-
Balance at the end of the year	<u>-</u>	<u>-</u>

**6. OUTSTANDING CLAIMS PROVISION**

	<b>Not covered by risk transfer arrangement</b>	<b>Covered by risk transfer arrangement</b>
<b>2014</b>		
Provision for outstanding risk claims	<u>500</u>	<u>198 624</u>
<i>Analysis of movements in outstanding risk claims provision</i>		
Balance at the beginning of the year	500	227 007
Payments in respect of the prior year	(82)	(236 490)
Over/(under) provision in respect of the prior year	418	(9 483)
Adjustment for the current year	82	208 107
Balance at end of the year	<u>500</u>	<u>198 624</u>
Total outstanding risk claims provision	<u>199 124</u>	
<b>2013</b>		
Provision for outstanding risk claims	<u>500</u>	<u>227 007</u>
<i>Analysis of movements in outstanding risk claims provision</i>		
Balance at the beginning of the year	1 000	204 353

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

	<b>Not covered by risk transfer arrangement</b>	<b>Covered by risk transfer arrangement</b>
<b>2013 (continued)</b>		
Payments in respect of the prior year	(127)	(207 406)
Over/(under) provision in respect of the prior year	873	(3 053)
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>	

*Process and assumptions used to prepare estimates*

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

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

A projection technique called the Chain Ladder method is used to estimate the outstanding claims provision. Run-off triangles are used in the Chain Ladder method, showing the time it takes after the service date until all the payments are made. Such methods extrapolate the development of incurred claims to ultimate incurred claims for each service month within the financial year based upon the observed development of earlier years.

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

The actual method used is consistent with prior years and considers categories of claims and observes historical claims development. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

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

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2014 (continued)**

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

*Assumptions (continued)*

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	0%	0%	0%
- 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.

	<b>2014</b>	<b>2013</b>
	R	R
Effect of a 1% decrease in assumed percentage	68	68
Effect of a 2% decrease in assumed percentage	138	138
Effect of a 3% decrease in assumed percentage	205	205

**7. RISK CONTRIBUTION INCOME**

Contributions	8 880 923	7 241 084
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**8. NET CLAIMS INCURRED**

**Claims incurred, excluding claims incurred in respect of risk transfer arrangement**

Current year claims	1 667	722
Movement in outstanding claims provision	82	(373)
- Over provision in prior year	(418)	(873)
- Adjustment for current year	500	500
	1 749	349

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**8. NET CLAIMS INCURRED (CONTINUED)**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>Claims incurred in respect of risk transfer arrangement</b>		
Current year claims	5 633 049	4 757 918
Outstanding claims provision (Note 6)	198 624	227 007
- Adjustment for current year	208 107	230 060
- Prior year underprovision	(9 483)	(3 053)
	5 831 673	4 984 925
<b>Net claims incurred</b>	5 833 422	4 985 274

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

Premiums paid on risk transfer arrangement - Metropolitan Health Risk Management (Pty) Ltd	(6 883 961)	(5 504 867)
Less:		
Recoveries from risk transfer arrangement - Metropolitan Health Risk Management (Pty) Ltd	5 831 673	4 984 925
Profit share from Risk transfer arrangement - Metropolitan Health Risk Management (Pty) Ltd	347 765	-
<b>Net expense on risk transfer arrangement</b>	(704 523)	(519 942)

Hospital care for both options, excluding in-hospital cover for the Primary Option, are covered by the risk transfer arrangement with Metropolitan Health Risk Management (Pty) Ltd. The risk transfer agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement expired at the end of 2014, but is reviewed annually and is renewable depending on fee negotiations. The risk transfer agreement was renewed for 2015 during 2014. The risk transfer premiums are charged on a per member and dependant basis. The Scheme is entitled to 50% of the profit on the risk transfer arrangement per the agreement.

**10. MANAGED CARE: MANAGEMENT SERVICES**

Specialist, hospital referrals and pre-authorisations	281 943	246 910
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**11. ADMINISTRATION AND OTHER EXPENDITURE**

Administrator's fees	838 159	691 924
Actuarial fees	64 410	60 420
Audit fees	153 672	139 308
Bank charges	31 838	31 779
Fidelity insurance	13 500	13 500
Levies: Council for Medical Schemes	28 050	23 105
Membership fees	9 949	8 223
Principal Officer remuneration	180 345	160 562
Printing, postage and communication	56 775	45 647

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

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Rule registration costs	1 150	1 300
Staff costs	124 035	115 171
Travel and entertainment	5 509	7 670
Telephone	10 216	10 784
Other expenses	13 876	4 271
	<u>1 531 484</u>	<u>1 313 664</u>

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

**Insurance and other receivables**

Contributions that are not collectable	-	(596)
Movement in accumulated impairments	-	(596)
Members' and service providers' portions that are not recoverable	2 704	1 107
Movement in accumulated impairments	3 300	1 107
Written off during the year	(596)	-
	<u>2 704</u>	<u>511</u>

**13. INVESTMENT INCOME**

Available-for-sale investments interest income	171 783	151 183
Cash and cash equivalents interest income	314 607	258 099
	<u>486 390</u>	<u>409 282</u>
Investment management fees	(41 849)	(39 641)
	<u>444 541</u>	<u>369 641</u>

**14. SUNDRY INCOME**

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

**15. RELATED PARTY DISCLOSURES**

**Parties with significant influence over the Scheme**

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

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

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

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

The Administrator/Managed Care Organisation/Risk Transfer Organisation does not fall within the definition of a related party; the information has been included due to the significance of the outsourcing 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, which have been entered into with related parties for the relevant financial year.

**Statement of comprehensive income**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>Compensation</b>		
Short-term employment benefits	180 345	160 562
<b>Contributions and claims</b>		
Risk contributions received	38 672	31 530
Claims incurred	33 102	15 137
Travel expenses – Principal Officer	5 509	7 670

**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 2014.

**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.

**Claims incurred**

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

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

**Statement of comprehensive income**

Administration fees	838 159	691 924
Managed care fees	281 943	246 910

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

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

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Risk transfer premiums	6 883 961	5 504 867
Recoveries on risk transfer arrangement	5 831 673	4 984 925
Profit share on risk transfer arrangement	347 765	-
Actuarial fees	64 410	60 420

**Statement of financial position**

Risk transfer arrangement recoveries receivable	198 624	227 007
Risk transfer premium fees due	(608 969)	(496 306)
Postage due - Administrator	(16 691)	(19)

**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 2014, 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 2015.

**16. GUARANTEES AND COMMITMENTS**

The Scheme has not provided any guarantees or commitments.

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

<b>2014</b>	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Risk contribution income</b>	5 011 763	3 869 160	8 880 923
<b>Relevant healthcare expenditure</b>	(4 095 601)	(2 442 344)	(6 537 945)
Net claims incurred	(3 567 199)	(2 266 223)	(5 833 422)
Net expense on risk transfer arrangement	(528 402)	(176 121)	(704 523)
Premiums paid on risk transfer arrangement	(4 367 957)	(2 516 004)	(6 883 961)
Recoveries from risk transfer arrangement	3 567 199	2 264 474	5 831 673
Profit share	272 356	75 409	347 765

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

	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>2014 (continued)</b>			
<b>Gross healthcare result</b>	916 162	1 426 816	2 342 978
Managed care: Management services	(17 006)	(264 937)	(281 943)
Administration and other expenditure	(575 690)	(955 794)	(1 531 484)
Net impairment reversal on insurance and other receivables	1 108	1 596	2 704
<b>Net healthcare result</b>	324 574	207 681	532 255
<b>Other income</b>			
Investment income	181 848	304 542	486 390
Sundry income	22 456	37 544	60 000
Management fees	(15 676)	(26 173)	(41 849)
<b>Net surplus for the year</b>	513 202	523 594	1 036 796
	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>2013</b>			
<b>Risk contribution income</b>	3 797 566	3 443 518	7 241 084
<b>Relevant healthcare expenditure</b>	(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
<b>Gross healthcare result</b>	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 losses on insurance and other receivables	195	316	511
<b>Net healthcare result</b>	184 858	(9 053)	175 805
<b>Other income</b>			
Investment income	119 947	249 694	369 641
Sundry income	20 176	39 875	60 051
<b>Net surplus for the year</b>	324 981	280 516	605 497



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

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Net surplus for the year	1 036 796	605 497
Adjustments for:		
- (Decrease)/increase in outstanding claims provision	(28 383)	22 154
- Interest income	(444 541)	(369 641)
- Impairment reversed	(2 704)	(511)
Cash flows utilised in operations before working capital changes	561 168	257 499

**19. INSURANCE RISK MANAGEMENT**

**Risk management objectives and policies for mitigating insurance risk**

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

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

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

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

**Risk transfer arrangement**

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

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

**Frequency and severity of claims**

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

**Source of uncertainty in the estimation of future claims payments**

The Scheme frequently re-rates benefits offered to ensure that the necessary underwriting surplus is maintained relative to the risk exposure.

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

**Source of uncertainty in the estimation of future claims payments (continued)**

It is relatively easy to assess the future claim payments since the majority of claims are lodged soon after year-end before the four-month expiration of claims period comes into effect.

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

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

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

**Concentration of insurance risk**

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

**2014**

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
< 24	736	458	1 194
25 - 34	313	213	526
35 - 49	493	265	758
50 - 64	114	103	217
> 65	4	6	10
Total	1 660	1 045	2 705

**2013**

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
< 24	715	372	1 087
25 - 34	330	147	477
35 - 49	471	243	714
50 - 64	106	72	178
> 65	6	3	9
Total	1 628	837	2 465

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.

**2014**

Age grouping (in years)	General practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
<26	-	-	-	-	-	-	-
26 - 35	-	-	-	131	1 303	-	1 434

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

**2014 (continued)**

<b>Age grouping (in years)</b>	<b>General practitioners</b>	<b>Specialists</b>	<b>Dentistry</b>	<b>Medicines</b>	<b>Hospital</b>	<b>Optical</b>	<b>Total</b>
36 - 50	-	-	-	176	-	-	176
51 - 65	-	-	-	57	-	-	57
>65	-	-	-	-	-	-	-
Metropolitan Health Risk Management (Pty) Ltd Movement in IBNR provision	2 547 059	971 317	384 594	415 003	1 109 877	403 823	5 831 673
	-	-	-	-	-	-	82
<b>Total</b>	<b>2 547 059</b>	<b>971 317</b>	<b>384 594</b>	<b>415 367</b>	<b>1 111 180</b>	<b>403 823</b>	<b>5 833 422</b>

**2013**

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

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

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

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

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

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

Hospital benefits cover all costs incurred by members, while they are in hospital to received 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  
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**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 has the most significant effect on the amounts recognised in the financial statements.

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

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

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

**21. FINANCIAL RISK MANAGEMENT**

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

	<b>Loans and other receivables</b>	<b>Available-for-sale investments</b>	<b>Financial liabilities measured at amortised cost</b>	<b>Insurance receivables and payables</b>
<b>2014</b>				
Investments	-	2 776 727	-	-
Cash and cash equivalents	5 701 658	-	-	-
Insurance and other receivables				
- <i>Insurance receivables</i>	-	-	-	960 594
- <i>Other receivables</i>	38 388	-	-	-
Insurance and other payables				
- <i>Insurance payables</i>	-	-	-	616 419
- <i>Other payables</i>	-	-	174 286	-
Outstanding claims provision	-	-	-	199 124
	<b>5 740 046</b>	<b>2 776 727</b>	<b>174 286</b>	<b>1 776 137</b>
<b>2013</b>				
Investments	-	2 610 824	-	-
Cash and cash equivalents	4 922 086	-	-	-
Insurance and other receivables				
- <i>Insurance receivables</i>	-	-	-	753 003
- <i>Other receivables</i>	37 707	-	-	-

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

2013 (continued)	Loans and other receivables	Available-for-sale investments	Financial liabilities measured at amortised cost	Insurance receivables and payables
Insurance and other payables				
- <i>Insurance payables</i>	-	-	-	505 504
- <i>Other payables</i>	-	-	147 741	-
Outstanding claims provision	-	-	-	227 507
	4 959 793	2 610 824	147 741	1 486 014

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 62.03% (2013: 59.13%) of the Scheme's assets were invested in cash and cash equivalents to ensure that the Scheme can meet its short-term liabilities. The following table illustrates the prudent liquidity position of the Scheme:

	Up to 1 month	1 - 3 months	3 - 12 months	Over 1 year	Total
	R	R	R	R	R
<b>2014</b>					
Outstanding claims provision	164 219	23 568	11 337	-	199 124
Insurance payables					
- Contributions received in advance	6 429	-	-	-	6 429
- Risk transfer arrangement premiums due	608 969	-	-	-	608 969
- Stale cheques	1 021	-	-	-	1 021
Other payables	20 614	153 672	-	-	174 286
<b>Total liabilities</b>	801 252	177 240	11 337	-	989 829
Cash and cash equivalents	5 701 658	-	-	-	5 701 658
<b>Excess liquidity</b>					4 711 829

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

**Liquidity risk (continued)**

	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2013</b>					
Outstanding claims provision	184 698	32 805	10 004	-	227 507
Insurance payables					
- Contributions received in advance	8 377	-	-	-	8 377
- Reported claims not yet paid	-	-	-	-	-
- Stale cheques	821	-	-	-	821
Other payables	2 733	145 008	-	-	147 741
<b>Total liabilities</b>	<b>692 935</b>	<b>177 813</b>	<b>10 004</b>	<b>-</b>	<b>880 752</b>
Cash and cash equivalents	4 922 086	-	-	-	4 922 086
<b>Excess liquidity</b>					<b>4 041 334</b>

**Credit risk**

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

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

<b>Financial institution</b>	<b>2014</b>	<b>2013</b>	<b>(Fitch National Long-Term Rating)</b>	
	<b>R</b>	<b>R</b>	<b>2014</b>	<b>2013</b>
Standard Bank of South Africa Ltd	912 394	391 403	BBB	AA

**FISHING INDUSTRY MEDICAL SCHEME**  
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**21. FINANCIAL RISK MANAGEMENT (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
	R	R	R	R
<b>2014</b>				
Insurance and other receivables	996 181	2 801	-	998 982
Insurance receivables	672 588	2 801	15 487	690 876
- Contributions outstanding	473 964	2 589	-	476 553
- Accounts recoverable from members and providers	-	212	15 487	15 699
- Outstanding claims provision on risk transfer arrangement	198 624	-	-	198 624
- Accumulated impairment losses	-	-	(15 487)	(15 487)
- Profit-share receivables	285 205	-	-	285 205
- Other receivables	38 388	-	-	38 388
Cash and cash equivalents	5 701 658	-	-	5 701 658
<b>Total</b>	<b>6 697 839</b>	<b>2 801</b>	<b>-</b>	<b>6 700 640</b>

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

	<b>Neither past due, nor impaired</b>	<b>Past due, not impaired</b>	<b>Impaired</b>	<b>Total carrying amount</b>
<b>2013</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
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
<b>Total</b>	<b>5 705 317</b>	<b>7 479</b>	<b>-</b>	<b>5 712 796</b>



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

Age analysis of past due amounts:

	<b>30 days</b>	<b>60 days</b>	<b>90 days</b>	<b>Total</b>
<b>2014</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
- Contributions outstanding	1 666	-	923	2 589
- Accounts recoverable from members and providers	-	-	212	212
<b>Past due total</b>	<b>1 666</b>	<b>-</b>	<b>1 135</b>	<b>2 801</b>

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

**Market risk**

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

**Currency risk**

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

**Equity risk**

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

**Fair value estimation**

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

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

<b>As at 31 December 2014</b>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Reclassifi- cation</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Available-for-sale financial assets				
Collective investment schemes	2 776 727	-	-	-
<b>Total</b>	<b>2 776 727</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**Fair value estimation (continued)**

<b>As at 31 December 2013</b>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Reclassifi- cation</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	-	-	-

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.

**Unconsolidated investment structures**

The asset managers invest the Scheme's monies in reputable funds which promise returns to the medical scheme. The Scheme views these funds as unconsolidated structured entities.

The Scheme monitors the performance of the funds closely to ensure the Scheme earns high returns without unnecessary exposure to risk.

The Scheme has investments in certain collective investment schemes (the Funds) as listed in the table below. The exposure the Scheme has to these Funds is listed in the table below in terms of Regulation 30 to the Act. The Scheme's maximum exposure to loss from its interests in the funds is limited to the total fair value of its investments in the funds.

<b>Fund</b>	<b>As at 31 December 2014</b>		<b>As at 31 December 2013</b>	
	<b>Fair value</b>	<b>Per cent exposure in terms of Regulation 30</b>	<b>Fair value</b>	<b>Per cent exposure in terms of Regulation 30</b>
Coronation Jibar Plus Fund	2 776 727	32.75%	2 610 824	34.66%
Investec Money-Market Fund	1 280 799	15.11%	1 212 431	16.10%
Nedgroup Investments Money-Market Fund	1 582 194	18.66%	1 497 124	19.87%
Momentum Money-Market Fund	1 926 271	22.72%	1 821 128	24.18%

**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 overleaf 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.

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

**Interest rate risk (continued)**

	<i>Up to 1 month</i>	<i>Total</i>
	R	R
<b>2014</b>		
Available-for-sale investments	2 776 727	2 776 727
Cash and cash equivalents	5 701 658	5 701 658
<b>Total</b>	<b>8 478 385</b>	<b>8 478 385</b>

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

***Interest rate sensitivity analysis***

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

A decrease of 100 basis points in interest yields at 31 December 2014 would result in a decrease in members' funds of R43 642 (2013: R36 840).

An increase of 100 basis points in interest yield at 31 December 2014 would have had an equal but opposite effect on members' funds, on the basis that all other variables remain constant.

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

**Capital risk management**

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

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

The accumulated funds ratio was 94.95% at 31 December 2014 and 102.13% at 31 December 2013, and 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 is invested in collective investment schemes and therefore it is not possible for detailed information to be obtained on a daily basis.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**22. NON-COMPLIANCE MATTERS (CONTINUED)**

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

*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.

**Non-compliance with Section 59(2) of the Act – 30-day rule**

*Nature and impact*

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

*Causes for the failure*

A number of processes result in claims being placed on hold due to clinical referrals.

*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 claims on-hold process will be enhanced to notify the member and provider from 20 days instead of the normal 30 days' notification. This enhancement is to accommodate the three-week payment run.