

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF



**WILL BE HELD ON TUESDAY, 10 JUNE 2008 AT 10H00 AT THE TRAINING CENTRE,
I & J SOUTHARM, WATERFRONT.**

AGENDA

1. To read the Notice convening the Annual General Meeting
2. To confirm and sign the Minutes of the Annual General Meeting held on Tuesday, 26 June 2007
3. To receive the Chairperson's Report and the summarised Annual Financial Statements for the year ended 31 December 2007 and adopt the audited Annual Financial Statements for the year ended 31 December 2007
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: 30 May 2008
 - 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: 30 May 2008
7. Close

By order of the Board

ALIDA SPRAGUE (MS)
PRINCIPAL OFFICER

CAPE TOWN
MAY 2008

MINUTES OF THE 2007 ANNUAL GENERAL MEETING

A full set of the Minutes of the Annual General Meeting of Fishing Industry Medical Scheme, held on 26 June 2007, is available on request.

FISHING INDUSTRY MEDICAL SCHEME CHAIRPERSON'S REVIEW

Fishing Industry Medical Scheme remains financially sound and performed well during 2007 (2006:120.67%) with a solvency ratio of 141.3% as at 31 December 2007.

The Scheme announced an average contribution increase of 9.3% on its options for 2008, with inflationary increases on most of the benefit categories.

As communicated at the 2007 Annual General Meeting, the Scheme has received further exemption from the Council for Medical Schemes for Prescribed Minimum Benefits until 31 December 2008.

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

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

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



CHARMAINE GUNNELL (MRS)
CHAIRPERSON

MAY 2008

FISHING INDUSTRY MEDICAL SCHEME REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2007.

Registration number: 1271

1. MANAGEMENT

1.1 Board of Trustees in office during the year under review

Employer Trustees

C Gunnell (Chairperson)	(Appointed 30 October 2007)
H de Beer (Chairperson)	(Resigned 30 October 2007)
S Bailey	(Resigned 26 June 2007)
D Ocks	
S Vraagom	(Resigned 13 February 2007)
G Zondi	(Appointed 13 February 2007)
A van der Merwe	(Appointed 30 October 2007)

Member Trustees

G Christie (Vice-chairperson)	
K Adams	(Resigned 26 June 2007)
G Erasmus	
J Tlhakala	

1.2 Principal Officer

Ms Alida Sprague 1 Southarm Road Table Bay Harbour Cape Town 8001	PO Box 2416 Cape Town 8000
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1.3 Registered office and postal address

Fishing Industry Medical Scheme Town Square Building 61 St George's Mall Cape Town 8001	PO Box 15747 Vlaeberg 8018
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The complete set of audited Annual Financial Statements can be obtained from the Scheme's registered office or postal address as indicated above.

1.4 Medical Scheme Administrator

Metropolitan Health Corporate (Pty) Ltd Town Square Building 61 St George's Mall Cape Town 8001	PO Box 4313 Cape Town 8000
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Accreditation number: 17

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

1. MANAGEMENT (continued)

1.5 Managed Care Provider during the year

Qualsa Healthcare (Pty) Ltd

Town Square Building
61 St George's Mall
Cape Town
8001

PO Box 4313
Cape Town
8000

Accreditation number: 26

1.6 Investment managers and bankers during the year

Nedgroup Collective Investment Limited

BOE Clocktower
V&A Waterfront
Cape Town
8001

PO Box 1510
Cape Town
8000

Coronation Fund Managers Limited

Boundary Terraces
1 Mariendahl Lane
Newlands
7700

PO Box 993
Cape Town
8000

RMB Asset Management Trust

268 West Avenue
Centurion
0157

PO Box 7400
Centurion
0046

Investec Bank Limited

100 Grayston Drive Sandown
Sandton
2196

PO Box 785700
Sandton
2146

Absa Fund Managers Limited

Absa Building
66-77 Main Road
Wynberg
7800

PO Box 3264
Cape Town
8000

1.7 Actuaries during the year

Fifth Quadrant Actuaries and Consultants

Great Westerford Building
2nd Floor, Suite 2
240 Main Road
Rondebosch
7701

Private Bag X30
Rondebosch
7700

1.8 Auditor

KPMG Inc.

1 Mediterranean Street
Foreshore
Cape Town
8001

PO Box 4609
Cape Town
8000

2. DESCRIPTION OF SCHEME

2.1 Terms of registration

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

2.2 Benefit options within Fishing Industry Medical Scheme

The Scheme offers two options to members, namely:

- Primary Option
- Standard Option

2.3 Savings plan

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

2.4 Corporate governance

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

2.5 Risk transfer arrangement

During 2007 the Scheme again entered into a risk transfer arrangement with Qualsa Healthcare (Pty) Ltd (Qualsa). The arrangement provides hospital and related benefits for all beneficiaries registered on the Standard Option.

3. INVESTMENT POLICY OF THE SCHEME

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

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

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

4. NON-COMPLIANCE MATTERS

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

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

Not all employers paid their contributions to the Scheme by the end of the third day after it became due. The Scheme continues to educate employers to comply with this Rule.

Due to one monthly claims run, claims were not always paid within 30 days from receipt of the claim as required in Section 59(2) of the Act. This was subsequently rectified by the introduction of a second monthly claims run.

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

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 Annual Financial Statements, and the Trustees believe that no further clarification is required.

5.2 Accumulated funds ratio

	2007	2006
	R	R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per Balance Sheet	5,558,697	4,986,652
Adjusted for revaluation reserve	<u>7,011</u>	<u>(4,821)</u>
Accumulated funds per Regulation 29 of the Act	<u>5,565,708</u>	<u>4,981,831</u>
Gross contributions	<u>3,939,064</u>	<u>4,128,503</u>
Accumulated funds ratio	<u>141.30%</u>	<u>120.67%</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 3 to the summarised Annual Financial Statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

5.5 Operational statistics

Refer to pages 8 and 9.

6. ACTUARIAL SERVICES

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

7. INVESTMENT IN AND LOANS TO EMPLOYERS OF MEMBERS OF THE SCHEME AND OTHER RELATED PARTIES

The Scheme holds no investments in, and made no loans to, any participating employers of Scheme members. Refer to Note 6 to the summarised Annual Financial Statements for other related party disclosures.

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 five members of which two are members of the Board of Trustees.

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

8. AUDIT COMMITTEE (continued)

The Committee met twice during the year as follows:

- 20 April 2007
- 22 November 2007

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

In accordance with the provisions of the Act, the primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems and financial reporting practices. The external auditors formally report to the Committee on critical findings arising from audit activities.

The Committee for the year under review comprises:

- | | |
|--------------------------|--------------------------------------|
| - S Lawson (Chairperson) | Non-trustee |
| - J Ridl | Non-trustee |
| - R Williams | Non-trustee |
| - H De Beer | Trustee (Resigned 30 October 2007) |
| - C Gunnell | Trustee (Appointed 22 November 2007) |
| - G Christie | Trustee |

9. EVENTS AFTER THE BALANCE SHEET DATE

No material facts or circumstances have arisen between the Balance Sheet date and the date of this report which affect the financial position or financial performance of the Scheme as reflected in the Annual Financial Statements.

10. FIDELITY COVER

The Scheme is covered by professional indemnity insurance for the period 1 January 2007 to 31 December 2007. 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 solvency ratio at year-end was 141.30%; and
- available cash and investment resources at year-end were R5.5 million.

12. PRESCRIBED MINIMUM BENEFIT EXEMPTION

The Scheme has received further exemption from the Council for Medical Schemes for Prescribed Minimum Benefits until 31 December 2008. Despite this exemption, the Council has requested the Scheme to submit clinical data to the Risk Equalisation Fund since the beginning of 2005.

13. TRUSTEE MEETING ATTENDANCE

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

Trustees/Audit Committee members	Board meetings		Audit Committee meetings	
	<i>Number of meetings for the year: 4</i>		<i>Number of meetings for the year: 2</i>	
	Possible meetings	Actual attendance	Possible meetings	Actual attendance
H de Beer	3	3	1	1

Trustees/Audit Committee members	Board meetings		Audit Committee meetings	
	<i>Number of meetings for the year: 4</i>		<i>Number of meetings for the year: 2</i>	
C Gunnell	2	2	1	1

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

13. TRUSTEE MEETING ATTENDANCE (continued)

Trustees/Audit Committee members	Board meetings		Audit Committee meetings	
	<i>Number of meetings for the year: 4</i>		<i>Number of meetings for the year: 2</i>	
	Possible meetings	Actual attendance	Possible meetings	Actual attendance
G Christie	4	3	2	-
K Adams	2	1	-	-
S Bailey	2	-	-	-
G Erasmus	4	3	-	-
D Ocks	4	3	-	-
A Sprague	4	4	2	2
J Tlhakala	4	3	-	-
A van der Merwe	-	-	-	-
S Vraagom	1	-	-	-
G Zondi	4	3	1	-
S Lawson	-	-	2	2
J Ridl	-	-	2	1
R Williams	-	-	2	2

14. OPERATIONAL STATISTICS

Operational statistics for 2007

	Standard	Primary	Total
Average number of members for the accounting period	129	976	1,105
Number of members at the end of the accounting period	128	908	1,036
Average number of beneficiaries for the accounting period	317	2,454	2,771
Number of beneficiaries at the end of the accounting period	321	2,261	2,582
Average age of beneficiaries for the accounting period	24.0	24.3	24.3
Number of members joining the Scheme	14	93	107
Number of members leaving the Scheme	34	234	268
Dependant ratio	1.5	1.5	1.5
Pensioner ratio	0.6	0.4	0.4
Average contributions per member per month (R)	550.6	263.6	297.1
Average contributions per beneficiary per month (R)	224.1	104.8	118.5
Average relevant healthcare expenditure per member per month (R)	517.4	162.6	204.0
Average relevant healthcare expenditure per beneficiary per month (R)	210.5	64.7	81.4
Average administration expense per member per month (R)	66.2	65.0	65.2
Average administration expense per beneficiary per month (R)	26.9	28.1	27.9
Average managed care services per member per month (R)	0.6	21.9	19.5
Average accumulated funds per member at 31 December (R)	n/a	n/a	5,372
Relevant healthcare expenditure as a percentage of contributions	94.0%	61.7%	68.0%
Managed care: management services as a percentage of contributions	0.1%	8.3%	6.5%

Non-healthcare expenses as a percentage of contributions	12.1%	33.0%	28.5%
Amount paid to Administrator (R)	70,555	500,499	571,054
Return on investments as percentage of investments	n/a	n/a	8.58%

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

14. OPERATIONAL STATISTICS (continued)

Operational statistics for 2006

	Standard	Primary	Total
Average number of members for the accounting period	120	1,105	1,225
Number of members at the end of the accounting period	128	1,069	1,197
Average number of beneficiaries for the accounting period	295	2,823	3,118
Number of beneficiaries at the end of the accounting period	315	2,736	3,051
Average age of beneficiaries for the accounting period	25.2	24.3	24.4
Number of members joining the Scheme	35	146	181
Number of members leaving the Scheme	12	332	344
Dependant ratio	1.5	1.6	1.5
Pensioner ratio	0.6	0.3	0.4
Average contributions per member per month (R)	543.2	252.4	280.9
Average contributions per beneficiary per month (R)	206.9	101.9	112.8
Average relevant healthcare expenditure per member per month (R)	455.5	141.0	171.8
Average relevant healthcare expenditure per beneficiary per month (R)	185.3	55.2	67.5
Average administration expense per member per month (R)	57.8	58.4	58.3
Average administration expense per beneficiary per month (R)	22.0	23.6	23.4
Average managed care services per member per month (R)	18.0	18.3	18.3
Average accumulated funds per member at 31 December (R)	n/a	n/a	4,162
Relevant healthcare expenditure as a percentage of contributions	83.85%	55.85%	61.2%
Managed care: Management services as a percentage of contributions	3.3%	7.3%	6.5%
Non-healthcare expenses as a percentage of contributions	14.0%	30.4%	27.3%
Amount paid to Administrator (R)	63,556	530,794	594,350
Return on investments as percentage of investments	n/a	n/a	6.46%

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

REPORT ON THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

The summarised Annual Financial Statements set out on pages 11 to 20 have been derived from the Annual Financial Statements of Fishing Industry Medical Scheme (the Scheme) for the year ended 31 December 2007. These summarised Annual Financial Statements are the responsibility of the Scheme's Trustees. Our responsibility is to express an opinion on whether these summarised Annual Financial Statements are consistent, in all material respects, with the Annual Financial Statements from which they were derived.

We have audited the Annual Financial Statements of Fishing Industry Medical Scheme for the year ended 31 December 2007, from which the summarised Annual Financial Statements were derived, in accordance with International Standards on Auditing.

In our report dated 25 April 2008, we expressed an unqualified opinion on the Annual Financial Statements from which the summarised Annual Financial Statements were derived.

In our opinion, the summarised Annual Financial Statements are consistent, in all material respects, with the Annual Financial Statements from which they are derived.

For a better understanding of the Scheme's financial position and its financial performance for the year ended 31 December 2007 and of the scope of our audit, the summarised Annual Financial Statements should be read in conjunction with the Annual Financial Statements from which the summarised Annual Financial Statements were derived and our audit report thereon. Detailed Annual Financial Statements are available on request from the Scheme.

Report on other legal and regulatory requirements

As required by the Council for Medical Schemes, we draw your attention to Note 8, non-compliance matters, which details instances of non-compliance with the Medical Schemes Act, which we consider to be material.

KPMG Inc.
Registered Auditor

Per Al van der Colff
Chartered Accountant (SA)
Registered Auditor
Director
12 May 2008

1 Mediterranean Street
Foreshore
Cape Town
8001

**FISHING INDUSTRY MEDICAL SCHEME
SUMMARISED ANNUAL FINANCIAL STATEMENTS**

**BALANCE SHEET
AT 31 DECEMBER 2007**

	NOTES	2007 R	2006 R
ASSETS			
Non-current assets			
Available-for-sale investments	2	764,743	372,288
Current assets			
Insurance and other receivables		5,111,212	5,026,342
Cash and cash equivalents		413,478	398,805
		4,697,734	4,627,537
Total assets		<u>5,875,955</u>	<u>5,398,630</u>
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		5,558,697	4,986,652
Revaluation reserve		5,565,708	4,981,831
		(7,011)	4,821
Current liabilities			
Insurance and other payables		317,258	411,978
Outstanding claims provision	3	166,615	298,956
		150,643	113,022
Total funds and liabilities		<u>5,875,955</u>	<u>5,398,630</u>

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

Net contribution income	4	3,939,064	4,128,503
Relevant healthcare expenditure			
Net claims incurred		(2,705,073)	(2,524,915)
Net expense on risk transfer arrangements	5	(2,680,219)	(2,346,276)
Premiums paid on risk transfer arrangements		(24,854)	(178,639)
Recoveries from risk transfer arrangements		(467,932)	(391,470)
		443,078	212,831
Gross healthcare result		<u>1,233,991</u>	<u>1,603,588</u>
Managed care: management services		(257,997)	(268,842)
Administration and other expenditure		(864,111)	(857,738)
Net impairment (losses)/reversals on insurance and other receivables		(2,432)	112,101
Net healthcare result		<u>109,451</u>	<u>589,109</u>
Other income			
Investment income		468,711	323,205
Sundry income		5,715	-
Net surplus for the year		<u>583,877</u>	<u>912,314</u>

**FISHING INDUSTRY MEDICAL SCHEME
SUMMARISED ANNUAL FINANCIAL STATEMENTS**

**STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2007**

2007	Accumulated funds	Revaluation reserve	Total members' funds
	R	R	R
Balance as at 1 January 2007	4,981,831	4,821	4,986,652
Net surplus for the year	583,877	-	583,877
Unrealised loss on available-for-sale investments	-	(11,832)	(11,832)
Balance as at 31 December 2007	<u>5,565,708</u>	<u>(7,011)</u>	<u>5,558,697</u>
2006	Accumulated funds	Revaluation reserve	Total members' funds
	R	R	R
Balance as at 1 January 2006	4,069,517	6,631	4,076,148
Net surplus for the year		-	912,314
Unrealised loss on available-for-sale investments	-	(1,810)	(1,810)
Balance as at 31 December 2006	<u>4,981,831</u>	<u>4,821</u>	<u>4,986,652</u>

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

1. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the Annual Financial Statements are consistent with the prior year.

The accounting policies set out below are selected policies from the complete set of accounting policies as set out in the complete set of Annual Financial Statements.

Statement of compliance

The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standard Board (IASB) and in accordance with the requirements of the South African Medical Schemes Act, 1998.

1.1 Basis of preparation

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

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 Balance Sheet date as well as affecting the reported income and expenditure for the year. The actual outcome may differ from these estimates, possibly significantly.

There have been no significant changes in estimates in the current year.

1.2 Adoption of new pronouncements and changes in accounting policies

Amendment and standard adopted in the 2007 Financial Statements

The following standard and amendment to a standard, effective for the first time in the current accounting period, and which are relevant to the Scheme, have been adopted in these Financial Statements:

- IAS 1 'Presentation of Financial Statements' (IAS 1) (effective 1 January 2007) amendment requires additional disclosure in relation to an entity's capital.

- IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) (effective 1 January 2007). IFRS 7 supersedes IAS 30, 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation'. In particular, IFRS 7 requires additional disclosure over and above that required by IAS 32 in respect of (i) the significance of financial instruments for an entity's financial position and performance; (ii) the nature and extent of risks arising from financial instruments; and (iii) capital objectives and policies.

Circular No. 39 of 2007 issued by the Council for Medical Schemes

The Income Statement has been prepared in accordance with the format as prescribed by Circular No. 39 of 2007. When necessary comparative figures have been reclassified to conform to the prescribed format.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

1. ACCOUNTING POLICIES (continued)

1.3 Outstanding claims provision

Claims outstanding comprise provisions for the Scheme's estimate of the ultimate cost of settling claims incurred but not yet reported at the Balance Sheet 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.

1.4 Risk transfer arrangements

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

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

Risk transfer premiums and recovery of claims are presented in the Income Statement and Balance Sheet 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.

2. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
	R	R
Fair value at the beginning of the year	372,288	251,787
Additions	404,287	122,311
Unrealised loss on revaluation of available-for-sale investment	<u>(11,832)</u>	<u>(1,810)</u>
Fair value at the end of the year	<u><u>764,743</u></u>	<u><u>372,288</u></u>
The investments included above represent investments in:		
- Bonds, bills and securities	371,359	112,409
- Money market instruments	<u>393,384</u>	<u>259,879</u>
	<u><u>764,743</u></u>	<u><u>372,288</u></u>

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

3. OUTSTANDING CLAIMS PROVISION

	2007	2006
	R	R
Not covered by risk transfer arrangements		
Provision for outstanding claims	<u>65,701</u>	<u>108,718</u>
Analysis of movements in outstanding claims		
Balance at the beginning of the year	108,718	130,000
Payments in respect of the prior year	<u>(91,643)</u>	<u>(124,872)</u>
Overprovision in respect of the prior year	17,075	5,128
Adjustment for the current year	<u>48,626</u>	<u>103,590</u>
Balance at end of the year	<u>65,701</u>	<u>108,718</u>
Covered by risk transfer arrangements		
Provision for outstanding claims	<u>84,942</u>	<u>4,304</u>
Analysis of movements in outstanding claims		
Balance at beginning of the year	4,304	37,363
Payments in respect of the prior year	(4,304)	(37,363)
Adjustment for the current year	<u>84,942</u>	<u>4,304</u>
Provision at end of the year	<u>84,942</u>	<u>4,304</u>
Total outstanding claim provision per Balance Sheet - covered by risk transfer arrangements and not covered by risk transfer arrangements	<u>150,643</u>	<u>113,022</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.

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3. OUTSTANDING CLAIMS PROVISION (continued)

Process and assumptions used to prepare estimates (continued)

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 five months from the service date;
- a weighted average of historic claims inflation is assumed to occur in the future;
- claims are assumed to have reporting and settlement patterns that remain relatively stable over time;
- any distortions as a result of once-off events are isolated from the claims data set; and
- the time value of money is ignored in calculating the outstanding claims provision.

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

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

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

	Primary	Standard	Average
December	13%	10%	12%
November	6%	4%	5%
October	2%	1%	2%
September	1%	0%	1%
August and prior	1%	0%	1%

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 Balance Sheet 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:

	2007	2006
	R	R
Effect of a 1% decrease in assumed percentage	8,314	9,019
Effect of a 2% decrease in assumed percentage	16,806	18,237
Effect of a 3% decrease in assumed percentage	25,482	27,658

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4. NET CONTRIBUTION INCOME

	2007	2006
	R	R
Contributions	<u>3,939,064</u>	<u>4,128,503</u>
Net contributions are equal to gross contributions as the Scheme has no savings		

5. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS

Premiums paid on risk transfer arrangements - Qualsa Healthcare	(467,932)	(391,470)
Less:		
Recoveries from risk transfer arrangements - Qualsa Healthcare	<u>443,078</u>	<u>212,831</u>
Net expense on risk transfer arrangements	<u>(24,854)</u>	<u>(178,639)</u>

The Scheme entered into a risk transfer arrangement during 2007: Hospital care for the Standard option is covered by the risk transfer arrangement with Qualsa. The risk transfer agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement expires at the end of 2008, but is reviewed annually and is renewable depending on fee negotiations. The risk transfer premiums are charged on a per member and dependant basis.

6. RELATED PARTY DISCLOSURES

Parties with significant influence over the Scheme

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

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

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

Key management personnel and their close family members

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

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

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6. RELATED PARTY DISCLOSURES (continued)

Transactions and balances with key management personnel and their family members

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

	2007	2006
	R	R
Income Statement		
Compensation		
Short-term employment benefits	60,841	56,281
Contributions and claims		
Contributions received	14,028	14,247
Claims incurred	11,856	17,960
Balance Sheet		
None		

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

Contributions received

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

Claims incurred

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

Transactions and balances with other related parties

	2007	2006
	R	R
Income Statement		
Administration fees	571,054	594,350
Managed care	257,997	268,842
Risk transfer premiums	467,932	391,470
Actuarial fees	25,080	23,655
Balance Sheet		
Risk transfer recoveries	84,942	4,304
Risk transfer premium due	39,198	-

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 Agreement

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.

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7. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

	Standard R	Primary R	Total R
2007			
Net contributions income	852,308	3,086,756	3,939,064
Relevant healthcare expenditure	(800,859)	(1,904,214)	(2,705,073)
Net claims incurred	(776,005)	(1,904,214)	(2,680,219)
Net expense on risk transfer arrangements	(24,854)	-	(24,854)
Premiums paid on risk transfer arrangements	(467,932)	-	(467,932)
Recoveries from risk transfer arrangements	443,078	-	443,078
Gross healthcare result	51,449	1,182,542	1,233,991
Managed care: management services	(980)	(257,017)	(257,997)
Administration and other expenditure	(102,451)	(761,660)	(864,111)
Net impairment losses on insurance and other receivables	(301)	(2,131)	(2,432)
Net healthcare result	(52,283)	161,734	109,451
Other income			
Investment income	57,910	410,801	468,711
Sundry income	706	5,009	5,715
Net surplus for the year	<u>6,333</u>	<u>577,544</u>	<u>583,877</u>

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7. SURPLUS FROM OPERATIONS PER BENEFIT OPTION (continued)

	Standard R	Primary R	Total R
2006			
Net contributions income	782,185	3,346,318	4,128,503
Relevant healthcare expenditure	(655,851)	(1,869,064)	(2,524,915)
Net claims incurred	(477,212)	(1,869,064)	(2,346,276)
Net expense on risk transfer arrangements	(178,639)	-	(178,639)
Premiums paid on risk transfer arrangements	(391,470)	-	(391,470)
Recoveries from risk transfer arrangements	212,831	-	212,831
Gross healthcare result	126,334	1,477,254	1,603,588
Managed care: management services	(25,915)	(242,927)	(268,842)
Administration and other expenditure	(83,212)	(774,526)	(857,738)
Net impairment reversals on insurance and other receivables	10,577	101,524	112,101
Net healthcare result	27,784	561,325	589,109
Other income			
Investment income	34,562	288,643	323,205
Net surplus for the year	<u>62,346</u>	<u>849,968</u>	<u>912,314</u>

8. NON-COMPLIANCE MATTERS

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

Not all employers paid their contributions to the Scheme by the end of the third day after it became due. The Scheme continues to educate employers to comply with this Rule.

Due to one monthly claims run, claims are not always paid within 30 days from receipt of the claim as required in Section 59(2) of the Act. This was subsequently rectified by the introduction of a second monthly claims run.

9. CONTINGENT LIABILITY

As at 31 December 2007 the Scheme was in the process of responding to a claim brought against it by the South African Department of Health (DOH) in respect of certain benefit claims previously settled by the DOH. The value of the claim amounted to R29,913 for the Primary Option and R5,006 for the Standard Option at 31 December 2007.