

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF



**WILL BE HELD ON THURSDAY, 18 JUNE 2009 AT 10:00 AT THE TRAINING CENTRE,
I & J SOUTHARM, WATERFRONT.**

AGENDA

1. To read the Notice convening the Annual General Meeting
2. To confirm and sign the Minutes of the Annual General Meeting held on Tuesday, 10 June 2008
3. To receive the Chairperson's Report and Annual Financial Statements for the year ended 31 December 2008 and adopt the audited Annual Financial Statements for the year ended 31 December 2008
4. To appoint the Auditors for the ensuing year
5. Election of three Member-elected Trustees and four Alternate Trustees
 - i. Nominations must be returned to the Principal Officer seven (7) days prior to the Annual General Meeting; cut-off date: 29 May 2009
 - ii. Announcement of nominations received for the Member-elected Trustees
 - iii. Voting for the three Member-elected Trustees and four Alternate Trustees
6. General
 - i. All matters pertaining to the Scheme must be submitted in writing seven (7) days prior to the Annual General Meeting
 - ii. Cut-off date: 29 May 2009
7. Close

By order of the Board

ALIDA SPRAGUE (MS)
PRINCIPAL OFFICER

CAPE TOWN
MAY 2009

MINUTES OF THE 2008 ANNUAL GENERAL MEETING

A full set of the Minutes of the Annual General Meeting of Fishing Industry Medical Scheme, held on 10 June 2008, is available on request.

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

Fishing Industry Medical Scheme remains financially sound and performed well during 2008 with a solvency ratio of 156.66% (2007: 141.3%) as at 31 December 2008.

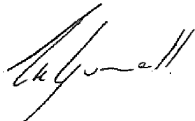
The Scheme announced an average contribution increase of 12.2% on its options for 2009, with inflationary increases on most of the benefit categories.

As communicated at the 2008 Annual General Meeting, the Scheme has received further exemption from the Council for Medical Schemes for prescribed minimum benefits until 31 December 2009.

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 and Metropolitan Health Group for their assistance and support over the past year.

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



CHARMAINE GUNNELL (MS)
CHAIRPERSON

MAY 2009

**FISHING INDUSTRY MEDICAL SCHEME
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008**

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of Fishing Industry Medical Scheme. The financial statements presented on pages 3 to 38 have been prepared in accordance with International Financial Reporting Standards (IFRS) and include amounts based on judgements and estimates made by management.

The Trustees consider that in preparing the Annual Financial Statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees are satisfied that the information contained in the Annual Financial Statements fairly presents the results of operations for the year and the financial position of the Scheme at year end. The Trustees also prepared the other information included in the Annual Report and are responsible for both its accuracy and its consistency with the financial statements.

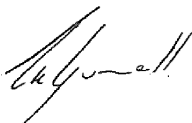
The Trustees are responsible for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Scheme to enable the Trustees to ensure that the Annual Financial Statements comply with the relevant legislation.

Fishing Industry Medical Scheme operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The going concern basis has been adopted in preparing the Annual Financial Statements. The Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These Annual Financial Statements support the viability of the Scheme.

The Scheme's external auditor, KPMG, is responsible for auditing the Annual Financial Statements in terms of International Standards on Auditing. Their report is presented on page 12.

The financial statements were approved by the Board of Trustees and are signed on its behalf by:



Ms C Gunnell
Chairperson



Ms ML Harry
Trustee



Ms A Sprague
Principal Officer

23 April 2009

**FISHING INDUSTRY MEDICAL SCHEME
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008**

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

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

Board of Trustees

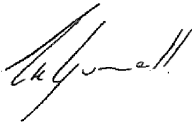
The Trustees meet regularly and monitor the performance of the Administrator. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

All Trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

INTERNAL CONTROLS

The Administrator of the Scheme maintains internal controls to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



Ms C Gunnell
Chairperson



Ms ML Harry
Trustee



Ms A Sprague
Principal Officer

23 April 2009

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

The Board of Trustees hereby presents its report for the year ended 31 December 2008.

Registration number: 1271

1. MANAGEMENT

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

Employer Trustees

C Gunnell (Chairperson)
A van der Merwe
D Ocks
G Zondi (Resigned on 19 February 2008)
ML Harry (Appointed on 20 May 2008)

Member Trustees

G Christie (Vice-chairperson)
G Erasmus
D Olivier (Appointed on 10 June 2008)
J Tlhakala (Resigned on 30 March 2008)
J Pieterse (Appointed on 10 June 2008)

1.2 Principal Officer

Ms A Sprague

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

1.3 Registered office address and postal address

Fishing Industry Medical Scheme

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

1.4 Medical Scheme Administrator

Metropolitan Health Corporate (Pty) Ltd

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

Accreditation no: 17

1.5 Managed care provider during the year

Qualsa Healthcare (Pty) Ltd

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

Accreditation no: 26

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

1. MANAGEMENT (CONTINUED)

1.6 Investment managers and bankers during the year

Nedgroup Collective Investments Limited

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

Coronation Fund Managers Limited

| | |
|-------------------------------------------------------------------------------------------|-----------------------------------|
| Seventh Floor MontClare Place Corner Campground and Main Roads Claremont 7708 | PO Box 44684 Claremont 7735 |
|-------------------------------------------------------------------------------------------|-----------------------------------|

RMB Asset Management Limited

| | |
|--------------------------------------|----------------------------------|
| 268 West Avenue Centurion 0157 | PO Box 7400 Centurion 0046 |
|--------------------------------------|----------------------------------|

Investec Bank Limited

| | |
|-----------------------------------------------|----------------------------------|
| 100 Grayston Drive Sandown Sandton 2196 | PO Box 785700 Sandton 2146 |
|-----------------------------------------------|----------------------------------|

1.7 Actuaries during the year

Fifth Quadrant Actuaries & 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.

These are:

- Standard; and
- Primary.

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

2. DESCRIPTION OF SCHEME (CONTINUED)

2.3 Savings plan

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

2.4 Corporate governance

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

2.5 Risk transfer arrangement

During 2008 the Scheme again entered into a risk transfer arrangement with Qualsa Healthcare (Pty) Ltd. The arrangement provides hospital and related benefits for all beneficiaries registered on the Standard Option.

3. INVESTMENT POLICY OF THE SCHEME

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

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

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

4. NON-COMPLIANCE MATTER

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

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

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

The accumulated funds ratio is calculated on the following basis:

| | 2008 | 2007 |
|------------------------------------------------|------------------|------------------|
| | R | R |
| Total members' funds per balance sheet | 6,217,871 | 5,558,697 |
| Adjusted for revaluation reserve | (10,627) | 7,011 |
| Accumulated funds per Regulation 29 of the Act | <u>6,207,244</u> | <u>5,565,708</u> |
| Gross contributions | 3,962,357 | 3,939,064 |
| Accumulated funds ratio | <u>156.66%</u> | <u>141.30%</u> |

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

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

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.

5.5 Operational statistics

Refer to page 10.

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

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

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 seven members, four of whom are members of the Board of Trustees. The Committee met twice during the year as follows:

- 21 April 2008; and
- 20 November 2008.

The Chairperson of the Scheme, the Financial Manager and external auditors attend the biannual Audit Committee meetings and have unrestricted access to the Chairperson of the Committee.

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 |
| - C Gunnell | Trustee |
| - G Christie | Trustee |
| - G Erasmus | Trustee |
| - G Zondi | Trustee (resigned on 19 February 2008) |
| - J Ridl | Non-trustee |
| - R Williams | Non-trustee |
| - ML Harry | Trustee (appointed on 20 May 2008) |

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 that affect the financial position or financial performance of the Scheme, as reflected in these financial statements.

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

10. FIDELITY COVER

The Scheme is covered by professional indemnity insurance for the period 1 January 2008 to 31 December 2008. 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 is 156.66%.
- Available cash and investment resources at year end is R6.4 million.

12. PRESCRIBED MINIMUM BENEFITS EXEMPTION

The Scheme has received further exemption from the Council for Medical Schemes for prescribed minimum benefits until 31 December 2009. Despite this exemption, the 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 Board of Trustees and the Audit Committee members.

| Trustees/Audit Committee member | Board meetings | | Audit Committee meetings | |
|---------------------------------|----------------|---|--------------------------|---|
| | A | B | A | B |
| C Gunnell | 4 | 4 | 2 | 2 |
| G Christie | 4 | 2 | 1 | 1 |
| A van der Merwe | 4 | 4 | - | - |
| D Ocks | 4 | 4 | - | - |
| D Olivier | 2 | 1 | - | - |
| G Erasmus | 4 | 4 | 1 | 0 |
| G Zondi | 1 | 0 | - | - |
| J Tlhakala | 1 | 1 | - | - |
| J Pieterse | 2 | 0 | - | - |
| ML Harry | 2 | 2 | 1 | 0 |
| S Lawson | - | - | 2 | 2 |
| J Ridl | - | - | 2 | 1 |
| R Williams | - | - | 2 | 1 |
| A Sprague | 4 | 4 | 2 | 2 |

A. Total possible number of meetings could have attended.

B. Actual number of meetings attended.

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

Operational statistics for 2008

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

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) | 26.6 | 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 |

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

Operational statistics for 2007 (continued)

| | Standard | Primary | Total |
|-----------------------------------------------------------|-----------------|----------------|--------------|
| Relevant healthcare expenditure as a % of contributions | 94.0 | 61.7 | 68.7 |
| Managed care: Management services as a % of contributions | 0.1% | 8.3% | 6.5% |
| Non-healthcare expenses as a % of contributions | 12.1% | 33.0% | 28.5% |
| Amount paid to Administrator (R) | 70,555 | 500,499 | 571,054 |
| Return on investments as a % of investments | N/A | N/A | 8.58% |

**FISHING INDUSTRY MEDICAL SCHEME
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008**

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

Report on the financial statements

We have audited the financial statements of Fishing Industry Medical Scheme, set out on pages 3 to 38, which comprise the balance sheet at 31 December 2008, and the income statement, statement of changes in funds and reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fishing Industry Medical Scheme at 31 December 2008, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act No 131 of 1998.

Report on other legal and regulatory requirements

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



KPMG Inc
Registered Auditor

Per KT Hopkins
Chartered Accountant (SA)
Registered Auditor
Director

1 Mediterranean Street
Foreshore
Cape Town
8001

23 April 2009

**FISHING INDUSTRY MEDICAL SCHEME
BALANCE SHEET
as at 31 December 2008**

| ASSETS | Notes | 2008 R | 2007 R |
|------------------------------------|--------------|-------------------|-------------------|
| Non-current assets | | 857,891 | 764,743 |
| Available-for-sale investments | 2 | 857,891 | 764,743 |
| Current assets | | 5,824,245 | 5,111,212 |
| Insurance and other receivables | 3 | 299,050 | 413,478 |
| Cash and cash equivalents | 4 | 5,525,195 | 4,697,734 |
| Total assets | | 6,682,136 | 5,875,955 |
| FUNDS AND LIABILITIES | | | |
| Members' funds | | 6,217,871 | 5,558,697 |
| Accumulated funds | | 6,207,244 | 5,565,708 |
| Revaluation reserve | | 10,627 | (7,011) |
| Current liabilities | | 464,265 | 317,258 |
| Insurance and other payables | 5 | 236,870 | 166,615 |
| Outstanding claims provision | 6 | 227,395 | 150,643 |
| Total funds and liabilities | | 6,682,136 | 5,875,955 |

**FISHING INDUSTRY MEDICAL SCHEME
INCOME STATEMENT
for the year ended 31 December 2008**

| | Notes | 2008 R | 2007 R |
|----------------------------------------------------------------------|-------|----------------|----------------|
| Net contribution income | 7 | 3,962,357 | 3,939,064 |
| Relevant healthcare expenditure | | (2,755,474) | (2,705,073) |
| Net claims incurred | 8 | (2,920,283) | (2,680,219) |
| Net income/(expense) on risk transfer arrangement | | 164,809 | (24,854) |
| Premiums paid on risk transfer arrangement | 9 | (618,425) | (467,932) |
| Recoveries from risk transfer arrangement | 9 | 783,234 | 443,078 |
| Gross healthcare result | | 1,206,883 | 1,233,991 |
| Managed care: Management services | 10 | (241,329) | (257,997) |
| Administration and other expenditure | 11 | (977,533) | (864,111) |
| Net impairment reversals/(losses) on insurance and other receivables | 12 | 10,681 | (2,432) |
| Net healthcare result | | (1,298) | 109,451 |
| Other income | | | |
| Investment income | 13 | 640,598 | 468,711 |
| Sundry income | 14 | 2,236 | 5,715 |
| Net surplus for the year | | 641,536 | 583,877 |

FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2008

| | Accumulated funds | Revaluation reserve | Total members' funds |
|---------------------------------------------------|------------------------------|--------------------------------|-------------------------------------|
| 2008 | R | R | R |
| Balance at 1 January 2008 | 5,565,708 | (7,011) | 5,558,697 |
| Net surplus for the year | 641,536 | - | 641,536 |
| Unrealised gain on available-for-sale investments | - | 17,638 | 17,638 |
| Balance at 31 December 2008 | <u>6,207,244</u> | <u>10,627</u> | <u>6,217,871</u> |
| | Accumulated funds | Revaluation reserve | Total members' funds |
| 2007 | R | R | R |
| Balance 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 at 31 December 2007 | <u>5,565,708</u> | <u>(7,011)</u> | <u>5,558,697</u> |

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF CASH FLOWS
for the year ended 31 December 2008**

| | Notes | 2008 R | 2007 R |
|---------------------------------------------------------------------|-------|-----------|-----------|
| Cash flows from operating activities | | | |
| Cash flows generated from operations before working capital changes | 18 | 67,009 | 155,219 |
| Working capital changes | | 195,364 | (149,446) |
| - Decrease/(increase) in insurance and other receivables | | 125,109 | (17,105) |
| - Increase/(decrease) in insurance and other payables | | 70,255 | (132,341) |
| Cash generated from operations | | 262,373 | 5,773 |
| Interest received | | 640,598 | 468,711 |
| Net cash flows from operating activities | | 902,971 | 474,484 |
| Cash flows from investing activities | | | |
| Purchase of available-for-sale investments | | (75,510) | (404,287) |
| Net increase in cash and cash equivalents | | 827,461 | 70,197 |
| Cash and cash equivalents at the beginning of the year | | 4,697,734 | 4,627,537 |
| Cash and cash equivalents at the end of the year | 4 | 5,525,195 | 4,697,734 |

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008**

1. PRINCIPAL ACCOUNTING POLICIES

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

Statement of compliance

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

1.1 Basis of preparation

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

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

Use of estimates

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amount of assets, liabilities and contingent liabilities at 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. For further information on critical estimates and judgements refer to note 20.

1.2 Adoption of new pronouncements and changes in accounting policies

Future amendment not early adopted in the 2008 financial statements

The following amendment, effective in future accounting periods, and which is relevant to the Scheme, has not been early adopted in these financial statements:

IAS 1 (effective 1 January 2009) - The changes include a comprehensive revision of primary statements, and include a requirement to introduce a statement of comprehensive income. There will be some limited presentational changes as a result of the introduction of this standard, but no changes in measurement or recognition.

1.3 Financial instruments

Financial instruments are recognised when the Scheme becomes a party to the contractual provisions of the 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 income statement.

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

FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.3 Financial instruments (continued)

Measurement

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

Available-for-sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs in liquidity or changes in market conditions, are classified as available-for-sale. These are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

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

Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised in the available-for-sale reserve and are not taken to the income statement. 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 in the income statement.

Loans and receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Offset

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

1.4 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.

FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.5 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 the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim.

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.

1.6 Insurance contracts

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

Liabilities and related assets under liability adequacy test

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

1.7 Contribution income

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

1.8 Claims incurred

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

Net claims incurred comprise:

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

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

1.9 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.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)**

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.9 Risk transfer arrangements (continued)

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.

1.10 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.

1.11 Investment income

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

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

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

1.12 Impairment losses

Impairment of financial assets

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

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

Available-for-sale investments

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)**

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.12 Impairment losses (continued)

Amounts recoverable under risk transfer arrangements

Amounts recoverable under risk transfer arrangements are assessed for impairment at each balance sheet 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 income statement 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 income statement when identified.

Reversals of impairment losses

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

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

1.13 Unclaimed benefits

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

1.14 Reimbursements from the Road Accident Fund (RAF)

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

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

1.15 Relevant healthcare expenditure

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

FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)

| 2. AVAILABLE-FOR-SALE INVESTMENTS | 2008 | 2007 |
|-----------------------------------------------------------------------------------------------|----------------|----------------|
| | R | R |
| Fair value at the beginning of the year | 764,743 | 372,288 |
| Additions | 75,510 | 404,287 |
| Unrealised gain/(loss) on revaluation of available-for-sale investment | 17,638 | (11,832) |
| | <u>857,891</u> | <u>764,743</u> |
| Fair value at the end of the year | <u>857,891</u> | <u>764,743</u> |
| The Collective Investment Scheme investment represents investments in: | | |
| - bonds, bills and securities | 477,674 | 371,359 |
| - money market instruments | 380,217 | 393,384 |
| | <u>857,891</u> | <u>764,743</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 | 80,091 | 293,013 |
| Amounts recoverable from members and service providers | 1,468 | 5,190 |
| | <u>81,559</u> | <u>298,203</u> |
| Less: | | |
| Accumulated impairment losses | (7,071) | (19,147) |
| - Carrying amount at the beginning of the year | (19,147) | (16,712) |
| - Impairment losses reversed/(recognised) during the year | 12,076 | (2,435) |
| | <u>74,488</u> | <u>279,056</u> |
| Add: | | |
| Risk transfer arrangements | | |
| - Share of outstanding claims provision | 160,041 | 84,942 |
| Other receivables | | |
| Sundry accounts receivable | 19,003 | 16,619 |
| Accrued interest | 45,518 | 32,861 |
| | <u>299,050</u> | <u>413,478</u> |
| Total insurance and other receivables | <u>299,050</u> | <u>413,478</u> |

FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)

| 3. INSURANCE AND OTHER RECEIVABLES (CONTINUED) | 2008 | 2007 |
|----------------------------------------------------------------------|----------------|---------------|
| | R | R |
| Analysis of movements in respect of risk transfer arrangement | | |
| Balance at the beginning of the year | 84,942 | 4,304 |
| Payment in respect of prior year | (84,942) | (4,304) |
| Adjustments for current year | 160,041 | 84,942 |
| Balance at the end of the year | <u>160,041</u> | <u>84,942</u> |

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

4. CASH AND CASH EQUIVALENTS

| | | |
|--------------------------|------------------|------------------|
| Call accounts | 2,037,357 | 1,675,150 |
| Current accounts | 397,688 | 259,008 |
| Money market instruments | 3,090,150 | 2,763,576 |
| | <u>5,525,195</u> | <u>4,697,734</u> |

The weighted average effective interest rate on call accounts was 11.30% (2007: 9.00%), current accounts 8.20% (2007: 7.56%) and on money market instruments 11.39% (2006: 9.13%). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

5. INSURANCE AND OTHER PAYABLES

| | | |
|-----------------------------------|----------------|----------------|
| Insurance payables | 52,651 | 124,895 |
| Reported claims not yet paid | - | 51,487 |
| Contributions received in advance | 36,160 | 69,349 |
| Department of Health | 11,008 | - |
| Stale cheques | 5,483 | 4,059 |
| Other payables | 184,219 | 41,720 |
| Accrued expenses | 77,219 | 41,720 |
| Audit fee accrual | 107,000 | - |
| | <u>236,870</u> | <u>166,615</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 | 51,487 | 148,671 |
| Payments made | (51,487) | (148,671) |
| Adjustments for the current year | - | 51,487 |
| Balance at the end of the year | <u>-</u> | <u>51,487</u> |

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)**

| 6. OUTSTANDING CLAIMS PROVISION | 2008 | 2007 |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| | R | R |
| Not covered by risk transfer arrangement | | |
| Provision for outstanding claims | 67,354 | 65,701 |
| Analysis of movements in outstanding claims | | |
| Balance at the beginning of the year | 65,701 | 108,718 |
| Payments in respect of the prior year | (63,289) | (91,643) |
| Overprovision in respect of the prior year | 2,412 | 17,075 |
| Adjustment for the current year | 64,942 | 48,626 |
| Balance at end of the year | 67,354 | 65,701 |
| Covered by risk transfer arrangement | | |
| Provision for outstanding claims | 160,041 | 84,942 |
| Total outstanding claim provision per balance sheet - covered by risk transfer arrangement and not covered by risk transfer arrangement | 227,395 | 150,643 |
| Analysis of movements in outstanding claims | | |
| Balance at beginning of the year | 84,942 | 4,304 |
| Payments in respect of the prior year | (84,942) | (4,304) |
| Adjustment for the current year | 160,041 | 84,942 |
| Balance at end of the year | 160,041 | 84,942 |

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. Runoff triangles are used in the Chain Ladder method, showing the time it takes after the service date until all the payments are made. Such methods extrapolate the development of incurred claims to ultimate incurred claims for each service month within the financial year based upon the observed development of earlier years.

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

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

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)**

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

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 runoff period, before the claims turn stale.

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

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

| | Primary | Standard | Average |
|------------------|----------------|-----------------|----------------|
| December | 8% | 5% | 6% |
| November | 4% | 2% | 3% |
| October | 2% | 1% | 1% |
| 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.

| | 2008 | 2007 |
|-----------------------------------------------|-------------|-------------|
| | R | R |
| Effect of a 1% decrease in assumed percentage | 7,447 | 8,314 |
| Effect of a 2% decrease in assumed percentage | 15,052 | 16,806 |
| Effect of a 3% decrease in assumed percentage | 22,819 | 25,482 |

7. NET CONTRIBUTION INCOME

| | | |
|---------------|-----------|-----------|
| Contributions | 3,962,357 | 3,939,064 |
|---------------|-----------|-----------|

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)**

8. NET CLAIMS INCURRED

| Claims incurred, excluding claims incurred in respect of risk transfer arrangement | 2008 | 2007 |
|-------------------------------------------------------------------------------------------|-------------|-------------|
| | R | R |
| Current year claims | 2,072,107 | 2,188,515 |
| Movement in outstanding claims provision | 64,942 | 48,626 |
| - Over provision in prior year | (2,412) | (17,075) |
| - Adjustment for current year | 67,354 | 65,701 |
| | 2,137,049 | 2,237,141 |
| Claims incurred in respect of risk transfer arrangement | | |
| Current year claims | 623,193 | 358,136 |
| Movement in outstanding claims provision | | |
| - Adjustment for current year | 160,041 | 84,942 |
| | 783,234 | 443,078 |
| Net claims incurred | 2,920,283 | 2,680,219 |

9. NET INCOME/(EXPENSE) ON RISK TRANSFER ARRANGEMENT

| | | |
|-----------------------------------------------------------------|----------------|-----------------|
| Premiums paid on risk transfer arrangements - Qualsa Healthcare | (618,425) | (467,932) |
| Less: | | |
| Recoveries from risk transfer arrangements - Qualsa Healthcare | 783,234 | 443,078 |
| Net income/(expense) on risk transfer arrangement | <u>164,809</u> | <u>(24,854)</u> |

The Scheme again entered into a risk transfer arrangement during 2008:

Hospital care for the Standard Option is covered by the risk transfer arrangement with Qualsa Healthcare. 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.

10. MANAGED CARE: MANAGEMENT SERVICES

| | | |
|-------------------------------------------------------|----------------|----------------|
| Specialist, hospital referrals and pre-authorisations | <u>241,329</u> | <u>257,997</u> |
|-------------------------------------------------------|----------------|----------------|

11. ADMINISTRATION AND OTHER EXPENDITURE

| | | |
|-------------------------------------|---------|---------|
| Administrator's fees | 530,650 | 571,054 |
| Actuarial fees | 39,900 | 25,080 |
| Audit fees | 187,456 | 72,000 |
| Bank charges | 27,056 | 26,818 |
| Computer expenses | - | 4,118 |
| Fidelity insurance | 13,500 | 10,000 |
| Levies: Council for Medical Schemes | 14,400 | 15,082 |

FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)

| 11. ADMINISTRATION AND OTHER EXPENDITURE (CONTINUED) | 2008 | 2007 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------|
| | R | R |
| Membership fees | 7,076 | 7,936 |
| Principal Officer fees | 65,823 | 60,841 |
| Printing, postage and communication | 20,775 | 9,452 |
| Rule registration costs | 1,800 | 750 |
| Staff costs | 47,204 | 43,090 |
| Travel and entertainment | 11,212 | 4,329 |
| Telephone | 10,681 | 10,537 |
| Other expenses | - | 3,024 |
| | 977,533 | 864,111 |
| | | |
| 12. NET IMPAIRMENT REVERSAL/(LOSS) ON INSURANCE AND OTHER RECEIVABLES | | |
| Insurance and other receivables | | |
| Contributions that are not collectable | 10,465 | (1,577) |
| Movement in accumulated impairments | 10,465 | (1,577) |
| Recovered/written off during the year | - | - |
| Members' and service providers' portions that are not recoverable | 216 | (855) |
| Movement in accumulated impairments (Written off)/recovered during the year | 1,611 (1,395) | (858) 3 |
| | 10,681 | (2,432) |
| | | |
| 13. INVESTMENT INCOME | | |
| Available-for-sale investments interest income | 75,511 | 54,281 |
| Cash and cash equivalents interest income | 565,087 | 414,430 |
| | 640,598 | 468,711 |
| | | |
| 14. SUNDRY INCOME | | |
| Prescribed credit balances written back | 2,236 | 5,715 |
| | | |
| 15. RELATED PARTY DISCLOSURES | | |
| Parties with significant influence over the Scheme | | |
| Metropolitan Health Corporate (Pty) Ltd (MHC) has significant influence over the Scheme, as it provides financial and operational information on which policy decisions are based, but does not control the Scheme. MHC provides administration services. | | |
| Managed care organisation, Qualsa Healthcare (Pty) Ltd, a wholly owned subsidiary of Metropolitan Health Corporate (Pty) Ltd, has significant influence over the Scheme as managed care and capitation provider, but does not control the Scheme. | | |
| Fifth Quadrant Actuaries and Consultants (Pty) Ltd has significant influence over the Scheme, as they consult and advise on various strategic issues which guide the Scheme's operations, but does not control the Scheme. | | |

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)**

15. RELATED PARTY DISCLOSURES (CONTINUED)

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.

| Income statement | 2008 | 2007 |
|---------------------------------|-------------|-------------|
| | R | R |
| Compensation | | |
| Short-term employment benefits | 65,823 | 60,841 |
| Contributions and claims | | |
| Gross contributions received | 9,049 | 14,028 |
| Claims incurred | 12,114 | 11,856 |

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

| | | |
|---------------------------|---------|---------|
| Income statement | | |
| Administration fees | 530,650 | 571,054 |
| Managed care fees | 241,329 | 257,997 |
| Risk transfer premiums | 618,425 | 467,932 |
| Actuarial fees | 39,900 | 25,080 |
| Balance sheet | | |
| Risk transfer arrangement | 160,041 | 84,942 |
| Risk transfer premium due | 72,612 | 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.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008 (continued)**

15. RELATED PARTY DISCLOSURES (CONTINUED)

Terms and conditions of the managed care agreement

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

Terms and conditions of the actuarial contract

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

Terms and conditions of the risk transfer arrangement

The risk transfer agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement expires at the end of 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.

16. GUARANTEES AND COMMITMENTS

The Scheme has not provided any guarantees or commitments.

17. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

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

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17. SURPLUS FROM OPERATIONS PER BENEFIT OPTION (CONTINUED)

| 2007 | Standard R | Primary R | Total R |
|----------------------------------------------------------|---------------|--------------|-------------|
| 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 arrangement | (24,854) | - | (24,854) |
| - Premiums paid on risk transfer arrangement | (467,932) | - | (467,932) |
| - Recoveries from risk transfer arrangement | 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 | 5,008 | 5,715 |
| Net surplus for the year | 6,333 | 577,543 | 583,877 |

18. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES

| | | |
|---------------------------------------------------------------------|-----------|-----------|
| Net surplus for the year | 641,536 | 583,877 |
| Adjustments for: | | |
| - increase in outstanding claims provision | 76,752 | 37,621 |
| - interest income | (640,598) | (468,711) |
| - impairment (reversal)/losses | (10,681) | 2,432 |
| Cash flows generated from operations before working capital changes | 67,009 | 155,219 |

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.

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19. INSURANCE RISK MANAGEMENT (CONTINUED)

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

Frequency and severity of claims

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

Source of uncertainty in the estimation of future claims payments

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

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

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

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

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.

2008

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

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19. INSURANCE RISK MANAGEMENT (CONTINUED)

2007

| Age grouping (in years) | Number of beneficiaries | | |
|-------------------------|-------------------------|----------|-------|
| | Primary | Standard | Total |
| < 26 | 1,058 | 157 | 1,215 |
| 26 - 35 | 519 | 55 | 574 |
| 36 - 50 | 524 | 70 | 594 |
| 51 - 65 | 154 | 38 | 192 |
| > 65 | 6 | 1 | 7 |
| Total | 2,261 | 321 | 2,582 |

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.

2008

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

2007

| Age grouping (in years) | General practitioners | Specialists | Dentistry | Medicines | Hospital | Optical | Total |
|-------------------------|-----------------------|-------------|-----------|-----------|----------|---------|-----------|
| < 26 | 585,192 | 30,112 | 102,336 | 10,988 | 34,866 | 20,853 | 784,347 |
| 26 - 35 | 422,347 | 36,337 | 81,318 | 13,223 | 16,136 | 49,804 | 619,165 |
| 36 - 50 | 392,089 | 40,587 | 64,838 | 33,233 | 31,595 | 50,509 | 612,851 |
| 51 - 65 | 87,862 | 15,605 | 8,764 | 15,668 | 8,870 | 12,659 | 149,428 |
| > 65 | 4,772 | - | - | 877 | - | - | 5,649 |
| IBNR provision | - | - | - | - | - | - | 65,701 |
| Total | 1,492,262 | 122,641 | 257,256 | 73,989 | 91,467 | 133,825 | 2,237,141 |

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.

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

Concentration of insurance risk (continued)

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, including pre-authorised treatment for certain medical conditions and immediate emergency treatment where authorisation is given post treatment.

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

In the process of applying the Scheme's accounting policies, management has made the following judgements that 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 balance sheet settlements against the provision have been monitored to ensure reasonability of the original provision.

21. FINANCIAL RISK MANAGEMENT

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

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

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for the year ended 31 December 2008 (continued)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Loans and other receivables | Available-for-sale investments | Financial liabilities measured at amortised cost | Insurance receivables and payables |
|---------------------------------|------------------------------------|---------------------------------------|---------------------------------------------------------|-------------------------------------------|
| 2007 | | | | |
| Investments | - | 764,743 | - | - |
| Cash and cash equivalents | 4,697,734 | - | - | - |
| Insurance and other receivables | - | - | - | - |
| - <i>Insurance receivables</i> | - | - | - | 363,998 |
| - <i>Other receivables</i> | 49,480 | - | - | - |
| Insurance and other payables | - | - | - | - |
| - <i>Insurance payables</i> | - | - | - | 124,895 |
| - <i>Other payables</i> | - | - | 41,720 | - |
| Outstanding claims provision | - | - | - | 150,643 |

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 82.69% (2007: 79.95%) of the Scheme's assets was invested in cash and cash equivalents to ensure that the Scheme can meet its short-term liabilities. The following table illustrates the prudent liquidity position of the Scheme:

| | Up to 1 month | 1 - 3 months | 3 - 12 months | Over 1 year | Total |
|-------------------------------------|----------------------|---------------------|----------------------|--------------------|------------------|
| | R | R | R | R | R |
| 2008 | | | | | |
| Outstanding claims provision | 161,585 | 25,667 | 40,143 | - | 227,395 |
| Insurance payables | | | | | |
| - Contributions received in advance | 36,160 | - | - | - | 36,160 |
| - Reported claims not yet paid | - | - | - | - | - |
| - Department of Health | 11,008 | - | - | - | 11,008 |
| - Stale cheques | 5,483 | - | - | - | 5,483 |
| Other payables | 77,219 | 107,000 | - | - | 184,219 |
| Total liabilities | 291,455 | 132,667 | 40,143 | - | 464,265 |
| Cash and cash equivalents | 5,525,195 | - | - | - | 5,525,195 |
| Excess liquidity | | | | | 5,060,930 |

FISHING INDUSTRY MEDICAL SCHEME
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for the year ended 31 December 2008 (continued)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Up to 1 month | 1 - 3 months | 3 - 12 months | Over 1 year | Total |
|-------------------------------------|----------------------|---------------------|----------------------|--------------------|------------------|
| | R | R | R | R | R |
| 2007 | | | | | |
| Outstanding claims provision | 41,668 | 31,820 | 77,155 | - | 150,643 |
| Insurance payables | | | | | |
| - Contributions received in advance | 69,349 | - | - | - | 69,349 |
| - Reported claims not yet paid | 51,487 | - | - | - | 51,487 |
| - Stale cheques | 4,059 | - | - | - | 4,059 |
| Other payables | 41,720 | - | - | - | 41,720 |
| Total liabilities | 208,283 | 31,820 | 77,155 | - | 317,258 |
| Cash and cash equivalents | 4,697,734 | - | - | - | 4,697,734 |
| Excess liquidity | | | | | 4,380,476 |

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 balance sheet are net of allowances for impairment losses. An allowance for impairment losses is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

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

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21. FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Neither past due, nor impaired | Past due, not impaired | Impaired | Total carrying amount |
|-------------------------------------------------------------|--------------------------------|------------------------|----------|-----------------------|
| 2007 | R | R | R | R |
| Insurance and other receivables | 277,745 | 135,733 | - | 413,478 |
| Insurance receivables | 228,265 | 135,733 | 19,147 | 383,145 |
| - Contributions outstanding | 143,323 | 132,153 | 17,537 | 293,013 |
| - Accounts recoverable from members and providers | - | 3,580 | 1,610 | 5,190 |
| - Outstanding claims provision on risk transfer arrangement | 84,942 | - | - | 84,942 |
| - Accumulated impairment losses | - | - | (19,147) | (19,147) |
| - Other receivables | 49,480 | - | - | 49,480 |
| Cash and cash equivalents | 4,697,734 | - | - | 4,697,734 |
| Total | 4,975,479 | 135,733 | - | 5,111,212 |

Age analysis of past due amounts:

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

| | 30 days | 60 days | 90 days | Total |
|---------------------------------------------------|----------------|--------------|--------------|----------------|
| 2007 | R | R | R | R |
| - Contributions outstanding | 126,755 | 4,404 | 994 | 132,153 |
| - Accounts recoverable from members and providers | 1,419 | 551 | 1,610 | 3,580 |
| Past due total | 128,174 | 4,955 | 2,604 | 135,733 |

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21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

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

Currency risk

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

Equity risk

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

Interest rate risk

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

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

| | <i>Up to 1 month</i> | <i>Total</i> |
|--------------------------------|----------------------|------------------|
| | R | R |
| 2008 | | |
| Available-for-sale investments | 857,891 | 857,891 |
| Cash and cash equivalents | 5,525,195 | 5,525,195 |
| Total | 6,383,086 | 6,383,086 |

2007

| | | |
|--------------------------------|------------------|------------------|
| Available-for-sale investments | 764,743 | 764,743 |
| Cash and cash equivalents | 4,697,734 | 4,697,734 |
| Total | 5,462,477 | 5,462,477 |

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 would result in a decrease in members' funds of R58,235 (2007: R81,180).

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

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21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (continued)

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 156.66% at 31 December 2008 and 141.30% at 31 December 2007, which compares favourably to the prescribed minimum accumulated funds ratio of 25%.

22. NON-COMPLIANCE MATTER

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

23. CONTINGENT LIABILITY

As at 31 December 2008 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 R5,645 (2007: R29,913) for the Primary Option and R6,472 (2007: R5,006) for the Standard Option at 31 December 2008.

24. CONTINGENT ASSET

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