

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF



WILL BE HELD ON FRIDAY, 17 JUNE 2016 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 Friday, 19 June 2015
3. To receive the Chairperson's report and Annual Financial Statements for the year ended 31 December 2015 and adopt the audited Annual Financial Statements for the year ended 31 December 2015
4. To appoint the Auditors for the ensuing year
5. Election of one member-elected Trustee
 - i. Nominations must be returned to the Principal Officer seven (7) days prior to the Annual General Meeting; cut-off date: 6 June 2016
 - ii. Announcement of nominations received for the member-elected Trustee
 - iii. Voting for the one member-elected Trustee
6. General
 - i. All matters pertaining to the Scheme must be submitted in writing seven (7) days prior to the Annual General Meeting
7. Close

By order of the Board

ALIDA SPRAGUE (MS)
PRINCIPAL OFFICER

CAPE TOWN
MAY 2016

MINUTES OF THE 2015 ANNUAL GENERAL MEETING

A full set of the minutes of the Annual General Meeting of Fishing Industry Medical Scheme, held on 26 June 2015, is available on request.

FISHING INDUSTRY MEDICAL SCHEME CHAIRPERSON'S REVIEW

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

2015 has been a good year for the Scheme, as it continued to report positive financial results and maintained a strong financial position. This is reflected in the reported surplus of R1 152 517 for the year and a reserve ratio of 87.32% at 31 December 2015. The reserve ratio continued to exceed the required statutory rate of 25%. This favourable position is welcomed in a year in which the healthcare industry continued to be challenged by financial and legislative changes.

Membership of the Scheme increased to 1 396 as at the end of December 2015. The average age of members, as well as the pensioner ratio, has remained stable since 2014.

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

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

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

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

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



MS ML HARRY
CHAIRPERSON

MAY 2016

**FISHING INDUSTRY MEDICAL SCHEME
FINANCIAL STATEMENTS
for the year ended 31 December 2015**

BOARD OF TRUSTEES' RESPONSIBILITY STATEMENT

The Trustees of Fishing Industry Medical Scheme (the Scheme) are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2015, and the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act 131 of 1998 of South Africa (the Act). In addition, the Trustees are responsible for preparing the report of the Board of Trustees and statement of corporate governance by the Board of Trustees.

The Scheme's Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Medical Schemes Act of South Africa and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Trustees have made an assessment of the Scheme's ability to continue as a going concern and have no reason to believe the Scheme will not be a going concern in the year ahead.

The Auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements for the year ended 31 December 2015 set out on pages 13 to 44 were approved by the Board of Trustees and are signed on its behalf by:



MS ML HARRY
CHAIRPERSON



MR M BRITZ
TRUSTEE



MS A SPRAGUE
PRINCIPAL OFFICER

26 April 2016

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The Fishing Industry Medical Scheme (the Scheme) is committed to the principles and practices of fairness, transparency, integrity and accountability in all dealings with its stakeholders. The Scheme follows principles of corporate governance appropriate to medical schemes. The Trustees are proposed and elected by the members of the Scheme and the participating employers.

Board of Trustees

The Trustees meet regularly and monitor the performance of the Administrator and the other service providers. 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.

Governance

The Board of Trustees strives at all times to have structures and systems in place to ensure that:

- risks are identified and managed effectively; and
- mechanisms are in place to ensure that the Scheme's obligations are identified and discharged effectively through policies and practices that maximise the Board's overall focus and efficiency.



MS ML HARRY
CHAIRPERSON



MR M BRITZ
TRUSTEE



MS A SPRAGUE
PRINCIPAL OFFICER

26 April 2016

FISHING INDUSTRY MEDICAL SCHEME REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2015.

Registration number: 1271

1. MANAGEMENT

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

Employer Trustees

M Harry (Chairperson)	Appointed 27 February 2015
J Ridl (Chairperson)	Resigned 31 January 2015
I Dwayi	
L Ngcauzele	
Z Blaauw	Appointed 7 May 2015

Member Trustees

F Lakay	Appointed 19 June 2015
M Britz	
Z Nzuzo	
N Tlhakala	

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

Parc du Cap	PO Box 15747
7 Mispel Road	Vlaeberg
Bellville	8018
7530	

1.4 Medical scheme Administrator

Metropolitan Health Corporate (Pty) Ltd

Parc du Cap	PO Box 4313
7 Mispel Road	Cape Town
Bellville	8000
7530	

Accreditation no 17

1.5 Managed care and capitation provider during the year

Metropolitan Health Risk Management (Pty) Ltd

Parc du Cap	PO Box 4313
7 Mispel Road	Cape Town
Bellville	8000
7530	

Accreditation no 26

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

1. MANAGEMENT (CONTINUED)

1.6 Investment managers during the year

Nedgroup Collective Investments Limited

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

Coronation Management Company (RF) (Pty) Limited

Seventh Floor	PO Box 44684
MontClare Place	Claremont
C/o Campground and Main Roads	7735
Claremont	
7708	

Momentum Collective Investments Limited

268 West Ave	PO Box 7400
Centurion	Centurion
0157	0046

Investec Fund Managers SA (RF) (Pty) Limited

100 Grayston Drive	PO Box 785700
Sandown	Sandton
Sandton	2146
2196	

1.7 Actuaries

Willis Towers Watson Actuaries and Consultants (Pty) Limited

Great Westerford Building	Private Bag X30
2 nd Floor, Suite 2	Rondebosch
240 Main Road	7700
Rondebosch	
7701	

1.8 Auditor

KPMG Inc

1 Mediterranean Street	PO Box 4609
Foreshore	Cape Town
Cape Town	8000
8001	

2. DESCRIPTION OF SCHEME

2.1 Terms of registration

The Scheme is a not-for-profit, restricted membership medical scheme, registered in terms of the Medical Schemes Act 131 of 1998 of South Africa (the Act).

2.2 Benefit options within Fishing Industry Medical Scheme

The Scheme offers two options to members.

These are:

- Standard; and
- Primary.

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

2. DESCRIPTION OF SCHEME (CONTINUED)

2.3 Personal medical savings account

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

2.4 Corporate governance

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

2.5 Risk transfer arrangement

The Scheme renewed the risk transfer arrangement with Metropolitan Health Risk Management (Pty) Ltd. The arrangement caters for all benefits as covered by the Scheme's benefit design for all members and beneficiaries registered on both options.

3. INVESTMENT POLICY OF THE SCHEME

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

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

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

4. NON - COMPLIANCE MATTERS

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

Compliance with Regulation 30

Nature and impact

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

Causes for the failure

The Scheme is invested in collective investment schemes and therefore it is not possible for detailed information to be obtained on a daily basis.

Corrective action

The compliance is monitored by the Scheme on a monthly basis.

Non-compliance with Section 26(7) of the Act – contributions received three days of becoming due

Nature and impact

In terms of Section 26(7) of the Medical Schemes Act it is a requirement that contributions be received within three days of becoming due. The contravention of the Act could pose a financial risk to the Scheme due to a non-payment as well as a loss on interest on these amounts to the Scheme.

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

4. NON-COMPLIANCE MATTERS (CONTINUED)

Causes for the non-compliance

Due to internal process delays the employers did not pay contributions on behalf of members within three days of becoming due. As a result, the Scheme is in contravention of Section 26(7) of the Act.

Corrective action

The Administrator's robust follow-up process has been instrumental in ensuring timeous payment of contributions by employer groups. Fishmed scheme management also continues to engage with employer groups to put in place updated employer-scheme contracts compelling employers to pay according to the Scheme rules and the Act.

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

	2015	2014
	R	R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per statement of financial position	9 639 824	8 487 538
Adjusted for revaluation reserve	(54 942)	(55 173)
Accumulated funds per Regulation 29 of the Act	<u>9 584 882</u>	<u>8 432 365</u>
Gross contributions	<u>10 977 093</u>	<u>8 880 923</u>
Accumulated funds ratio	<u>87.32%</u>	<u>94.95%</u>

5.3 Reserve accounts

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

5.4 Outstanding claims provision

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

6. ACTUARIAL SERVICES

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

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

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

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

8. AUDIT COMMITTEE

An Audit Committee was established in accordance with the provisions of the Act. The Audit Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review. The committee consists of six members, three of whom are members of the Board of Trustees. The committee met twice during the year, as follows:

- 22 April 2015; and
- 13 November 2015.

The Chairperson of the Scheme, the financial manager and external Auditors are invited to attend the bi-annual Audit Committee meetings and have unrestricted access to the chairperson of the committee.

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

The committee for the year under review comprises:

- | | | |
|---------------------------|------------------------------------|--|
| - J Ridl | Chairperson and independent member | Resigned 31 January 2015 |
| - M Britz | Trustee | |
| - M Harry | Trustee | |
| - Z Blaauw | Independent member | |
| - C Wither | Independent member | Appointed 17 April 2014 and resigned 30 March 2015 |
| - Mr T van der Westhuizen | Chairperson and independent member | Appointed 22 April 2015 |
| - Mr H Hendrikse | Independent member | Appointed 22 April 2015 and resigned 22 July 2015 |
| - Mr G Nortje | Independent member | Appointed 22 July 2015 |

The above-mentioned members also represent the Finance Committee.

9. SUBSEQUENT EVENTS

No material facts or circumstances have arisen between the date of the statement of financial position and the date of this report which affect the financial position or financial performance of the Scheme, as reflected in these financial statements.

10. FIDELITY COVER

The Scheme was covered by professional indemnity insurance for the period 1 January 2015 to 31 December 2015. The value of the cover is R3 million and is extended to the Trustees and officers of the Scheme.

11. GOING CONCERN

The Trustees believe the Scheme will be a going concern in the foreseeable future due to, but not limited to the following reasons:

- The reserve ratio at year-end was 87.32%.
- Available cash and investment resources at year-end was in excess of R9.8 million.

12. PMB EXEMPTION

The Scheme has been exempted in terms of Section 8(H) from the provisions of Section 29(1)(o) of the Medical Schemes Act. The exemption is valid until 31 December 2016 or an earlier date as deemed by the Council for Medical Schemes. Despite this exemption, the Council has requested the Scheme to submit clinical data to the Risk Equalisation Fund since the beginning of 2005.

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

13. BOARD AND SUB-COMMITTEE MEETING ATTENDANCE

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

Trustees/committee member	Board meetings		Audit Committee meetings		Finance Committee meetings	
	A	B	A	B	A	B
L Ngcauzele	4	3	-	-	-	-
N Tlhakala	4	2	-	-	-	-
M Harry	4	4	2	1	4	3
Z Nzuzo	4	2	-	-	-	-
I Dwayi	4	2	-	-	-	-
M Britz	4	3	2	1	4	3
T Van Der Westhuizen [#]	3	2	2	2	3	3
Z Blaauw	3	-	2	-	3	-
H Hendrikse	-	-	-	-	1	1
G Nortje [#]	-	-	1	1	2	1
A Sprague	4	4*	2	2*	4	4*

A – total possible number of meetings could have attended.

B – actual number of meetings attended.

[#] Independent member/non-Trustee of the Audit and Fincom Sub-Committees

* By invitation in her capacity as Principal Officer

14. OPERATIONAL STATISTICS FOR 2015

	Standard	Primary	Total
Average number of members for the accounting period	502	739	1 241
Number of members at the end of the accounting period	583	813	1 396
Average number of beneficiaries for the accounting period	1 144	1 797	2 941
Number of beneficiaries at the end of the accounting period	1 305	1 980	3 285
Average age of beneficiaries for the accounting period	26.6	25.9	26.2
Number of members joining the Scheme	185	220	405
Number of members leaving the Scheme	48	79	127
Dependant ratio	1.2	1.4	1.4
Pensioner ratio	0.46	0.15	0.27
Average contributions per member per month (R)	1 076.7	506.4	737.1
Average contributions per beneficiary per month (R)	472.5	208.3	311.0
Average relevant healthcare expenditure per member per month (R)	912.8	356.3	581.4
Average relevant healthcare expenditure per beneficiary per month (R)	400.5	146.5	245.3
Average administration expense per member per month (R)	118.9	119.0	119.0
Average administration expense per beneficiary per month (R)	52.2	48.9	50.2
Average managed care services per member per month (R)	4.1	35.1	22.5
Average accumulated funds per member at 31 December (R)	N/A	N/A	6 905
Relevant healthcare expenditure as a percentage of contributions	84.8%	70.3%	78.9%
Managed care: Management services as a percentage of contributions	0.4%	6.9%	3.1%

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

14. OPERATIONAL STATISTICS FOR 2015 (CONTINUED)

	Standard	Primary	Total
Non-healthcare expenses as a percentage of contributions	11.1%	23.6%	6.7%
Amount paid to Administrator (R)	414 209	609 762	1 023 971
Return on investments as percentage of investments	N/A	N/A	6.60%

15. OPERATIONAL STATISTICS FOR 2014

	Standard	Primary	Total
Average number of members for the accounting period	402	670	1 072
Number of members at the end of the accounting period	447	670	1 117
Average number of beneficiaries for the accounting period	949	1 638	2 587
Number of beneficiaries at the end of the accounting period	1 045	1 660	2 705
Average age of beneficiaries for the accounting period	26.6	26.0	26.0
Number of members joining the Scheme	155	96	251
Number of members leaving the Scheme	47	96	143
Dependant ratio	1.3	1.5	1.4
Pensioner ratio	0.0057	0.24	0.37
Average contributions per member per month (R)	1 038.9	481.2	690.4
Average contributions per beneficiary per month (R)	440.1	196.8	286.1
Average relevant healthcare expenditure per member per month (R)	852.5	336.7	530.2
Average relevant healthcare expenditure per beneficiary per month (R)	361.1	137.7	219.7
Average administration expense per member per month (R)	119.3	118.9	119.1
Average administration expense per beneficiary per month (R)	50.6	48.6	49.3
Average managed care services per member per month (R)	3.5	33.0	21.9
Average accumulated funds per member at 31 December (R)	N/A	N/A	7 549
Relevant healthcare expenditure as a percentage of contributions	82.1%	70.0%	76.8%
Managed care: Management services as a percentage of contributions	0.3%	6.8%	3.2%
Non-healthcare expenses as a percentage of contributions	11.5%	24.7%	17.2%
Amount paid to Administrator (R)	314 310	523 849	838 159
Return on investments as percentage of investments	N/A	N/A	5.24%

**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 (the Scheme), as set out on pages 13 to 44 which comprise the statement of financial position at 31 December 2015, and the statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Trustees' responsibility for the financial statements

The Scheme's Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Fishing Industry Medical Scheme at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

Non-compliance with the Medical Schemes Act of South Africa

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

1. Non-compliance with Regulation 30 of the Medical Schemes Act of South Africa - monitoring of compliance with Annexure B.
2. Non-compliance with Section 26(7) of the Medical Schemes Act of South Africa - contributions received after three days of becoming due.

KPMG Inc

Per GC Kruger
Chartered Accountant (SA)
Registered Auditor
Director

26 April 2016

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF FINANCIAL POSITION
at 31 December 2015**

	Notes	2015 R	2014 R
ASSETS			
Non-current assets			
Available-for-sale investments	2	2 965 168	2 776 727
Current assets			
Insurance and other receivables	3	1 003 632	998 982
Cash and cash equivalents	4	6 916 984	5 701 658
Total assets		10 885 784	9 477 367
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		9 584 882	8 432 365
Revaluation reserve: Available-for-sale investments		54 942	55 173
Current liabilities			
Insurance and other payables	5	1 039 357	790 705
Outstanding risk claims provision	6	206 603	199 124
Total funds and liabilities		10 885 784	9 477 367

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015**

	Notes	2015 R	2014 R
Risk contribution income	7	10 977 093	8 880 923
Relevant healthcare expenditure		(8 658 013)	(6 819 888)
Net claims incurred		(8 188 625)	(6 115 365)
Risk claims incurred	8	(7 852 992)	(5 833 422)
Managed care: Management services	9	(335 633)	(281 943)
Net expense on risk transfer arrangement		(469 388)	(704 523)
Premiums paid on risk transfer arrangement	10	(8 400 723)	(6 883 961)
Recoveries from risk transfer arrangement	10	7 851 713	5 831 673
Profit share	10	79 622	347 765
Gross healthcare result		2 319 080	2 061 035
Administration and other expenditure	11	(1 771 404)	(1 531 484)
Net impairment (written off)/reversed on insurance and other receivables	12	(8 696)	2 704
Net healthcare result		538 980	532 255
Other income			
Investment income	13	598 046	486 390
Sundry income	14	60 000	60 000
Management fees	13	(44 509)	(41 849)
Net surplus for the year		1 152 517	1 036 796
Other comprehensive income			
Fair value adjustment on available-for-sale investments		(231)	7 874
Total comprehensive income for the year		1 152 286	1 044 670

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2015**

	2015	2014
	R	R
Accumulated funds		
Balance at beginning of the year	8 432 365	7 395 569
Net surplus for the year	1 152 517	1 036 796
Balance at the end of the year	<u>9 584 882</u>	<u>8 432 365</u>
 Revaluation reserve: Available-for-sale investments		
Balance at beginning of the year	55 173	47 299
Net unrealised (loss)/gain on revaluation of available-for-sale investments	(231)	7 874
Balance at the end of the year	<u>54 942</u>	<u>55 173</u>
 Members' funds	<u>9 639 824</u>	<u>8 487 538</u>

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF CASH FLOWS
for the year ended 31 December 2015**

	Note	2015 R	2014 R
Cash flows from operating activities			
Cash flows generated from operations before working capital changes	18	570 646	561 168
Working capital changes		239 320	(62 427)
- Increase in insurance and other receivables		(9 332)	(199 887)
- Increase in insurance and other payables		248 652	137 460
Cash generated from operations		809 966	498 741
Interest received		594 032	438 860
Net cash flows from operating activities		1 403 998	937 601
Cash flows utilised in investing activities			
Reinvestment of investment income		(188 672)	(158 029)
Net increase in cash and cash equivalents		1 215 326	779 572
Cash and cash equivalents at the beginning of the year		5 701 658	4 922 086
Cash and cash equivalents at the end of the year	4	6 916 984	5 701 658

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 Standards Board (IASB) and in accordance with the requirements of the Medical Schemes Act of South Africa No 131 of 1998.

1.1 Basis of preparation

The financial statements provide information about the financial position, results of operations and changes in financial position of the Scheme. These have been prepared under historical cost convention, except for available-for-sale financial assets, which are measured at fair value and insurance contract liabilities, which are accounted for, as outlined in 1.5 below.

The functional and presentation currency of the Scheme is South African rands (ZAR). All financial information presented has been rounded to the nearest rand.

Use of estimates

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amount of assets, liabilities and contingent liabilities at reporting date, as well as affecting the reported income and expenditure for the year. The actual outcome may differ from these estimates, possibly significantly. For further information on critical estimates and judgements, refer to Note 20.

1.2 Financial instruments

Financial instruments are recognised when and only when the Scheme becomes a party to the contractual provisions of the particular instrument.

The Scheme de-recognises a financial asset when and only when:

- the contractual rights to the cash flows arising from the financial asset have expired or been forfeited by the Scheme; or
- it transfers the financial asset, including substantially all the risk and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability is de-recognised when and only when the liability is extinguished; that is, when the obligation specified in the contract is discharged, cancelled or has expired.

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

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

Measurement

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

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 reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

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

Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised in the available-for-sale reserve and as other comprehensive income in the statement of comprehensive income. Once the available-for-sale investment is sold, the realised fair value gain or loss on the changes in the fair value of the available-for-sale investment is recognised as other income in the statement of comprehensive income.

Unconsolidated investment structures

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

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

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

Loans and receivables

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

Cash and cash equivalents

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

Financial liabilities

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

Offset

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

1.3 Provisions

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

1.4 Outstanding risk claims provision

Claims outstanding comprise provisions for the Scheme's estimate of the ultimate cost of settling claims incurred, but not yet reported at the reporting date (and related internal and external claims handling expenses). Claims outstanding are determined as accurately as possible but depends on a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim.

Estimated co-payments and payments are deducted in calculating the outstanding claims provision. The Scheme does not discount its provision for outstanding claims, since the effect of the time value of money is not considered significant.

1.5 Insurance contracts

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

Liabilities and related assets under liability adequacy test

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

1.6 Contribution income

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

1.7 Claims incurred

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.7 Claims incurred (continued)

Net claims incurred comprise:

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

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

1.8 Risk transfer arrangements

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

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis. If applicable, a portion of risk transfer premiums is treated as prepayments. The profit share earned on the risk transfer arrangement is recognised in income when the Scheme has a contractual right to the benefit.

Risk transfer premiums and recovery of claims are presented in the statement of comprehensive income and statement of financial position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Claims recoveries relating to risk transfer arrangements are equal to the cost the Scheme would have incurred had it not entered into the agreement to deliver the specified benefits to its members.

Assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding claims provisions and claims reported not yet paid. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the outstanding claims provisions, claims reported not yet paid and settled claims associated with such risk transfer arrangements.

1.9 Managed care: Management services expenses

These expenses represent internal expenditure and the amounts paid or payable to third-party fund administrators, related parties and other third parties for managing the utilisation, costs and quality of healthcare services to the Scheme. Managed care: Management services expenses are expensed as incurred.

1.10 Investment income

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

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

Income from collective investment schemes is recognised when received.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.11 Impairment losses

Impairment of financial assets

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

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

Available-for-sale investments

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

Amounts recoverable under risk transfer arrangements

Amounts recoverable under risk transfer arrangements are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Scheme may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Scheme will receive under the risk transfer arrangement.

Financial assets measured at amortised cost

An appropriate allowance for estimated irrecoverable amounts is recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

This allowance is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest computed at initial recognition. Receivables with a short duration are not discounted.

Impairment losses on receivable balances are recognised in the statement of comprehensive income when identified.

Reversal of impairment losses

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

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

1.12 Unclaimed benefits

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.13 Reimbursements from the Road Accident Fund (RAF)

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

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

1.14 Relevant healthcare expenditure

Relevant healthcare expenditure consists of net claims incurred and net income or expense from risk transfer arrangements and managed care: management services expenses.

1.15 Allocation of income and expenditure to benefit options

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

The following items are directly allocated to benefit options:

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

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

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

1.16 Standards and interpretations

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

Amendments to IAS 1 presentation of financial statements – disclosure initiative

There is an emphasis on materiality. Specific single disclosures that are not material do not have to be presented – even if they are a minimum requirement of a standard. This standard is effective 1 January 2017.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.16 Standards and interpretations (continued)

IFRS 9 financial instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. This standard is effective 1 January 2018.

Standards adopted in the current year:

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

Annual improvements to IFRSs 2010 – 2012 cycle – various standards

The improvement project has extended the definition of a 'related party' per IAS 24 *Related Party Disclosures* to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

There is no significant impact on the Scheme of adopting this amendment. Transactions and balances with certain outsourced service providers have previously been disclosed as significant outsourcing relationships within the 'related and other significant parties' disclosure. These parties have now been classified as related parties, however, no additional disclosures, when compared to prior years, is required.

IAS 36 impairment of assets

The amendment to IAS 36 addresses the disclosure of information about the recoverable amount of impaired assets if the recoverable amount is based on fair value less cost of disposal. This amendment has no impact on these financial statements.

2. AVAILABLE-FOR-SALE INVESTMENTS

	2015	1014
	R	R
Fair value at the beginning of the year	2 776 727	2 610 824
Additions – reinvestment of investment income	188 672	158 029
Net unrealised (loss)/gain on revaluation of available-for-sale investments	(231)	7 874
Fair value at the end of the year	<u>2 965 168</u>	<u>2 776 727</u>
The available-for-sale investments in collective investment schemes are invested in:		
- Bonds, bills and securities	1 590 516	767 763
- Money-market instruments	1 125 700	1 930 938
- Shares in property companies	248 952	78 026
	<u>2 965 168</u>	<u>2 776 727</u>

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

3. INSURANCE AND OTHER RECEIVABLES

	2015	2014
	R	R
Insurance receivables		
Contributions outstanding	680 639	476 553
Amounts recoverable from members and service providers	5 214	15 699
	<u>685 853</u>	<u>492 252</u>
Less:		
Accumulated impairment losses	(15 007)	(15 487)
- Carrying amount at the beginning of the year	(15 487)	(18 787)
- Impairment losses reversed during the year	480	3 300
	<u>670 846</u>	<u>476 765</u>
Add:		
Risk transfer arrangement		
- Share of outstanding claims provision (Note 6)	206 603	198 624
- Profit share receivable	83 781	285 205
	<u>961 230</u>	<u>960 594</u>
Other receivables		
Sundry accounts receivable	12 500	12 500
Accrued interest	29 902	25 888
	<u>1 003 632</u>	<u>998 982</u>
Total insurance and other receivables		
Analysis of movements in respect of risk transfer arrangement		
Balance at the beginning of the year	198 624	227 007
Payments received in respect of prior year	(198 624)	(236 490)
Under provision in prior year	-	(9 483)
Adjustments for current year	206 603	208 107
Balance at the end of the year	<u>206 603</u>	<u>198 624</u>

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

4. CASH AND CASH EQUIVALENTS

Call accounts	1 367 024	591 723
Current accounts	151 992	320 671
Money market	5 397 968	4 789 264
	<u>6 916 984</u>	<u>5 701 658</u>

The weighted average effective interest rate on call accounts was 5.26% (2014: 4.96%), current accounts 2.92% (2014: 3.10%) and on money-market collective investment scheme 6.87% (2014: 6.25%). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

5. INSURANCE AND OTHER PAYABLES	2015 R	1014 R
Insurance payables	862 545	616 419
Contributions received in advance	58 015	6 429
Risk transfer arrangement premium	803 199	608 969
Stale cheques	1 331	1 021
Other payables	176 812	174 286
Accrued expenses	13 921	20 614
Audit fee accrual	162 891	153 672
	<u>1 039 357</u>	<u>790 705</u>

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

6. OUTSTANDING CLAIMS PROVISION	Not covered by risk transfer arrangement	Covered by risk transfer arrangement
2015		
Provision for outstanding risk claims	-	206 603
<i>Analysis of movements in outstanding risk claims provision</i>		
Balance at the beginning of the year	500	198 624
Payments in respect of the prior year	-	(198 624)
Over provision in respect of the prior year	500	-
Adjustment for the current year	(500)	206 603
Balance at end of the year	-	<u>206 603</u>
Total outstanding risk claims provision	<u>206 603</u>	
2014		
Provision for outstanding risk claims	500	198 624
<i>Analysis of movements in outstanding risk claims provision</i>		
Balance at the beginning of the year	500	227 007
Payments in respect of the prior year	(82)	(236 490)
Over/(under) provision in respect of the prior year	418	(9 483)
Adjustment for the current year	82	208 107
Balance at end of the year	500	<u>198 624</u>
Total outstanding risk claims provision	<u>199 124</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.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

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

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

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

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

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

Assumptions

A summary of key assumptions underlying the calculation of the outstanding claims provision include:

- for each month of delay since the service month, the total claims for that month is a constant proportion of total claims for the service month;
- all claims are assumed to be fully run-off within four months from the service date;
- a weighted average of historic claims inflation is assumed to occur in the future;
- 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 (excluding risk transfer agreements) at the end of the year are as follows:

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

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Changes in assumptions and sensitivities to changes in key variables

The table on the next page outlines the sensitivity of the outstanding claims provision to changes in the assumed proportion of claims outstanding used in the estimation process. It should be noted that this is a deterministic approach with no allowance for possible correlations between the key variables.

An analysis of the outstanding claims provision's sensitivity provides an indication of the adequacy of the Scheme's estimation process. The Scheme believes that the outstanding claims provision in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon expected values for certain variables and assumptions of which the actual values might be different.

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

	2015	2014
	R	R
Effect of a 1% decrease in assumed percentage	-	68
Effect of a 2% decrease in assumed percentage	-	138
Effect of a 3% decrease in assumed percentage	-	205

7. RISK CONTRIBUTION INCOME

Contributions	<u>10 977 093</u>	<u>8 880 923</u>
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8. NET CLAIMS INCURRED

Claims incurred excluding claims incurred in respect of risk transfer arrangement

Current year claims	1 779	1 667
Movement in outstanding claims provision	(500)	82
- Over provision in prior year	(500)	(418)
- Adjustment for current year	-	500
	<u>1 279</u>	<u>1 749</u>

Claims incurred in respect of risk transfer arrangement

Current year claims	7 645 110	5 633 049
Outstanding claims provision (Note 6)	206 603	198 624
- Adjustment for current year	206 603	208 107
- Prior year underprovision	-	(9 483)
	<u>7 851 713</u>	<u>5 831 673</u>

Net claims incurred

	<u>7 852 992</u>	<u>5 833 422</u>
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9. MANAGED CARE: MANAGEMENT SERVICES

Specialist, hospital referrals and pre-authorisations	<u>335 633</u>	<u>281 943</u>
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**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

9. MANAGED CARE: MANAGEMENT SERVICES (CONTINUED)

Circular 56 of 2015 issued by the Council for Medical Schemes on 9 September 2015 concluded that the cost of all accredited managed care services should be included as part of healthcare expenditure as they directly impact on the delivery of cost-effective and appropriate healthcare benefits to beneficiaries of medical schemes. The managed care fee has therefore been reallocated to 'Relevant healthcare expenditure' in the statement of comprehensive income for 2014 and 2015. The reallocation has not affected or altered the 'Net healthcare result' or net position of the Scheme.

10. NET EXPENSE ON RISK TRANSFER ARRANGEMENT

	2015	2016
	R	R
Premiums paid on risk transfer arrangement - Metropolitan Health Risk Management (Pty) Ltd	(8 400 723)	(6 883 961)
Less:		
Recoveries from risk transfer arrangement - Metropolitan Health Risk Management (Pty) Ltd	7 851 713	5 831 673
Profit share from Risk transfer arrangement - Metropolitan Health Risk Management (Pty) Ltd	79 622	347 765
Net expense on risk transfer arrangement	<u>(469 388)</u>	<u>(704 523)</u>

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

11. ADMINISTRATION AND OTHER EXPENDITURE

Administrator's fees	1 023 971	838 159
Actuarial fees	68 970	64 410
Audit fees	162 892	153 672
Bank charges	27 642	31 838
Fidelity insurance	13 500	13 500
Levies: Council for Medical Schemes	34 214	28 050
Membership fees	11 717	9 949
Principal Officer remuneration	186 065	180 345
Printing, postage and communication	84 705	56 775
Rule registration costs	550	1 150
Staff costs	128 691	124 035
Travel and entertainment	5 092	5 509
Telephone	13 771	10 216
Other expenses	9 624	13 876
	<u>1 771 404</u>	<u>1 531 484</u>

12. NET IMPAIRMENT REVERSAL ON INSURANCE AND OTHER RECEIVABLES

Insurance and other receivables

Members' and service providers' portions that are not recoverable	(8 696)	2 704
Movement in accumulated impairments	480	3 300
Written off during the year	(9 176)	(596)
	<u>(8 696)</u>	<u>2 704</u>

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

13. INVESTMENT INCOME

	2015	2016
	R	R
Available-for-sale investments interest income	203 356	171 783
Cash and cash equivalents interest income	394 690	314 607
	<u>598 046</u>	<u>486 390</u>
Investment management fees	(44 509)	(41 849)
	<u>553 537</u>	<u>444 541</u>

14. SUNDRY INCOME

Costs recovered from the sick fund	<u>60 000</u>	<u>60 000</u>
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15. RELATED PARTY DISCLOSURES

Parties with significant influence over the Scheme

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

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

Willis Towers Watson Actuaries and Consultants (Pty) Ltd has significant influence over the Scheme, as they consult and advise on various strategic issues which guide the Scheme's operations, but 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 include family members of the Board of Trustees, Principal Officer and members of the sub-committees.

Transactions and balances with key management personnel and their family members

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

Statement of comprehensive income

Compensation

Short-term employment benefits	186 065	180 345
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Contributions and claims

Risk contributions received	37 832	38 672
Claims incurred	14 932	33 102
Travel expenses – Principal Officer	-	5 509

Statement of financial position

No amounts due to or from key management and their family members are included in the statement of financial position at 31 December 2015.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

15. RELATED PARTY DISCLOSURES (CONTINUED)

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

Contributions received

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

Claims incurred

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

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

	2015	2014
	R	R
Statement of comprehensive income		
Administration fees	1 023 971	838 159
Managed care fees	335 633	281 943
Risk transfer premiums	8 400 723	6 883 961
Recoveries on risk transfer arrangement	7 851 713	5 831 673
Profit share on risk transfer arrangement	79 622	347 765
Actuarial fees	68 970	64 410
 Statement of financial position		
Risk transfer arrangement recoveries receivable	206 603	198 624
Risk transfer premium fees due	(803 199)	(608 969)
Managed care fees due	(6 796)	-
Postage due - Administrator	(4 742)	(16 691)

Terms and conditions of the administration agreement

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

Terms and conditions of the managed care agreement

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

Terms and conditions of the actuarial contract

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

Terms and conditions of the risk transfer arrangement

The risk transfer agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement expired at the end of 2015, but is reviewed annually and is renewable depending on fee negotiations. The risk transfer premiums are charged on a per member and dependant basis. The risk transfer agreement has been renewed for 2016.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

16. GUARANTEES AND COMMITMENTS

The Scheme has not provided any guarantees or commitments.

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

	Standard	Primary	Total
2015	R	R	R
Risk contribution income	6 486 127	4 490 966	10 977 093
Relevant healthcare expenditure	(5 498 698)	(3 159 315)	(8 658 013)
Net claims incurred	(5 190 632)	(2 997 993)	(8 188 625)
Risk claims incurred	(5 166 001)	(2 686 991)	(7 852 992)
Managed care: management services	(24 631)	(311 002)	(335 633)
Net expense on risk transfer arrangement	(308 066)	(161 322)	(469 388)
Premiums paid on risk transfer arrangement	(5 532 226)	(2 868 497)	(8 400 723)
Recoveries from risk transfer arrangement	5 164 221	2 687 492	7 851 713
Profit share	59 939	19 683	79 622
Gross healthcare result	987 429	1 331 651	2 319 080
Administration and other expenditure	(716 063)	(1 055 341)	(1 771 404)
Net impairment reversal on insurance and other receivables	(3 387)	(5 309)	(8 696)
Net healthcare result	267 979	271 001	538 980
Other income			
Investment income	241 151	356 895	598 046
Sundry income	24 233	35 767	60 000
Management fees	(17 981)	(26 528)	(44 509)
Net surplus for the year	515 382	637 135	1 152 517

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

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

	Standard	Primary	Total
2014	R	R	R
Risk contribution income	5 011 763	3 869 160	8 880 923
Relevant healthcare expenditure	(4 112 607)	(2 707 281)	(6 819 888)
Net claims incurred	(3 584 205)	(2 531 160)	(6 115 365)
Risk claims incurred	(3 567 199)	(2 266 223)	(5 833 422)
Managed care: management services	(17 006)	(264 937)	(281 943)
Net expense on risk transfer arrangement	(528 402)	(176 121)	(704 523)
Premiums paid on risk transfer arrangement	(4 367 957)	(2 516 004)	(6 883 961)
Recoveries from risk transfer arrangement	3 567 199	2 264 474	5 831 673
Profit share	272 356	75 409	347 765
Gross healthcare result	899 156	1 161 879	2 061 035
Administration and other expenditure	(575 690)	(955 794)	(1 531 484)
Net impairment reversal on insurance and other receivables	1 108	1 596	2 704
Net healthcare result	324 574	207 681	532 255
Other income			
Investment income	181 848	304 542	486 390
Sundry income	22 456	37 544	60 000
Management fees	(15 676)	(26 173)	(41 849)
Net surplus for the year	513 202	523 594	1 036 796

18. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES

	2015	2014
	R	R
Net surplus for the year	1 152 517	1 036 796
Adjustments for:		
- Increase/(decrease) in outstanding claims provision	7 479	(28 383)
- Interest income	(598 046)	(444 541)
- Impairment provided/(reversed)	8 696	(2 704)
Cash flows utilised in operations before working capital changes	570 646	561 168

19. INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating insurance risk

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

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

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

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

Risk transfer arrangement

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

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

Frequency and severity of claims

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

Source of uncertainty in the estimation of future claims payments

The Scheme frequently re-rates benefits offered to ensure that the necessary underwriting surplus is maintained relative to the risk exposure. 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 tables overleaf summarise the concentration of insurance risk, with reference to the number of the beneficiaries per option, by age group.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

19. INSURANCE RISK MANAGEMENT (CONTINUED)

Concentration of insurance risk (continued)

2015

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
< 24	899	555	1 454
25 – 34	341	305	646
35 – 49	592	315	907
50 – 64	145	124	269
> 65	3	6	9
Total	1 980	1 305	3 285

2014

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

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.

2015

Age grouping (in years)	General practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
<26	-	-	-	-	-	-	-
26 - 35	-	-	-	-	1 779	-	1 779
36 - 50	-	-	-	-	-	-	-
51 - 65	-	-	-	-	-	-	-
>65	-	-	-	-	-	-	-
Metropolitan Health Risk Management (Pty) Ltd	3 165 578	1 284 044	473 655	458 911	1 954 458	515 067	7 851 713
Movement in IBNR provision	-	-	-	-	-	-	(500)
Total	3 165 578	1 284 044	473 655	458 911	1 956 237	515 067	7 852 992

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

19. INSURANCE RISK MANAGEMENT (CONTINUED)

Concentration of insurance risk (continued)

2014

Age grouping (in years)	General practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
<26	-	-	-	-	-	-	-
26 - 35	-	-	-	131	1 303	-	1 434
36 - 50	-	-	-	176	-	-	176
51 - 65	-	-	-	57	-	-	57
>65	-	-	-	-	-	-	-
Metropolitan Health Risk Management (Pty) Ltd	2 547 059	971 317	384 594	415 003	1 109 877	403 823	5 831 673
Movement in IBNR provision	-	-	-	-	-	-	82
Total	2 547 059	971 317	384 594	415 367	1 111 180	403 823	5 833 422

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

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

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

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

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

Hospital benefits cover all costs incurred by members, while they are in hospital to received pre-authorised treatment for certain medical conditions and immediate emergency treatment where authorisation is given post treatment.

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

In the process of applying the Scheme's accounting policies, management has made the following judgements that has the most significant effect on the amounts recognised in the financial statements.

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

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

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

21. FINANCIAL RISK MANAGEMENT

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

2015	Loans and other receivables	Available-for-sale investments	Financial liabilities measured at amortised cost	Insurance receivables and payables
Investments	-	2 965 168	-	-
Cash and cash equivalents	6 916 984	-	-	-
Insurance and other receivables				
- <i>Insurance receivables</i>	-	-	-	961 230
- <i>Other receivables</i>	42 402	-	-	-
Insurance and other payables				
- <i>Insurance payables</i>	-	-	-	862 545
- <i>Other payables</i>	-	-	176 812	-
Outstanding claims provision	-	-	-	206 603
	6 959 386	2 965 168	176 812	2 030 378

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

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.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

At year-end 63.16% (2014: 62.03%) of the Scheme's assets were invested in cash and cash equivalents to ensure that the Scheme can meet its short-term liabilities. The following tables illustrate the prudent liquidity position of the Scheme:

Up to 1 month	1 - 2 months	3 - 12 months	Over 1 year	Total
R	R	R	R	R

2015

Outstanding claims provision	199 943	6 660	-	-	206 603
Insurance payables					
- Contributions received in advance	58 015	-	-	-	58 015
- Risk transfer arrangement premiums due	803 199	-	-	-	803 199
- Stale cheques	1 331	-	-	-	1 331
Other payables	13 921	162 891	-	-	176 812
Total liabilities	1 076 409	169 551	-	-	1 245 960

Cash and cash equivalents

	6 916 984	-	-	-	6 916 984
Excess liquidity					5 671 024

Up to 1 Month	1 - 2 Months	3 - 12 Months	Over 1 year	Total
R	R	R	R	R

2014

Outstanding claims provision	164 219	23 568	11 337	-	199 124
Insurance payables					
- Contributions received in advance	6 429	-	-	-	6 429
- Risk transfer arrangement premiums due	608 969	-	-	-	608 969
- Stale cheques	1 021	-	-	-	1 021
Other payables	20 614	153 672	-	-	174 286
Total liabilities	801 252	177 240	11 337	-	989 829

Cash and cash equivalents

	5 701 658	-	-	-	5 701 658
Excess liquidity					4 711 829

Credit risk

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

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Financial institution (excluding Collective Investment Schemes)	2015	2014	(Fitch National Long-Term Rating)	
	R	R	2015	2014
Standard Bank of South Africa Ltd	1 519 016	912 394	BBB+	BBB

The credit risk on liquid funds is limited, because the counterparties are financial institutions with high credit ratings. The tables overleaf illustrate the majority of the exposure.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

	Neither past due, nor impaired	Past due, not impaired	Impaired	Total carrying amount
2015	R	R	R	R
Insurance and other receivables	992 192	11 440	-	1 003 632
Insurance receivables	866 009	11 440	15 007	892 456
- Contributions outstanding	658 016	11 086	11 537	680 639
- Accounts recoverable from members and providers	1 390	354	3 470	5 214
- Outstanding claims provision on risk transfer arrangement	206 603	-	-	206 603
- Accumulated impairment losses	-	-	(15 007)	(15 007)
- Profit share receivable	83 781	-	-	83 781
- Other receivables	42 402	-	-	42 402
Cash and cash equivalents	6 916 984	-	-	6 916 984
Total	7 909 176	11 440	-	7 920 616

FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

	Neither past due, nor impaired	Past due, not impaired	Impaired	Total carrying amount
2014	R	R	R	R
Insurance and other receivables	996 181	2 801	-	998 982
Insurance receivables	672 588	2 801	15 487	690 876
- Contributions outstanding	473 964	2 589	-	476 553
- Accounts recoverable from members and providers	-	212	15 487	15 699
- Outstanding claims provision on risk transfer arrangement	198 624	-	-	198 624
- Accumulated impairment losses	-	-	(15 487)	(15 487)
- Profit share receivable	285 205	-	-	285 205
- Other receivables	38 388	-	-	38 388
Cash and cash equivalents	5 701 658	-	-	5 701 658
Total	6 697 839	2 801	-	6 700 640

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Age analysis of past due amounts:

	30 Days	60 days	90 days	Total
2015	R	R	R	R
- Contributions outstanding	4 542	3 645	2 899	11 086
- Accounts recoverable from members and providers	-	-	354	354
Past due total	4 542	3 645	3 253	11 440

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

Market risk

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

Currency risk

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

Equity risk

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

Fair value estimation

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

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

As at 31 December 2015	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Reclassification</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Available-for sale-financial assets Collective investment schemes	2 965 168	-	-	-
Total	2 965 168	-	-	-

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation (continued)

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

The hierarchy levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Scheme for similar financial instruments.

Unconsolidated investment structures

The asset managers invest the Scheme's monies in reputable funds which promise returns to the medical scheme. The Scheme view these funds as unconsolidated structured entities. The Scheme monitors the performance of the funds closely to ensure the Scheme earns high returns without unnecessary exposure to risk.

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

Fund	As at 31 December 2015		As at 31 December 2014	
	Fair value (R)	% exposure in terms of Regulation 30	Fair value (R)	% exposure in terms of Regulation 30
Coronation Jibar Plus Fund	2 965 168	30.01%	2 776 727	32.75%
Investec Money-Market Fund	1 663 524	16.83%	1 280 799	15.11%
Nedgroup Investments Money-Market Fund	1 682 829	17.03%	1 582 194	18.66%
Momentum Money-Market Fund	2 051 615	20.76%	1 926 271	22.72%

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 tables overleaf summarise the Scheme's exposure to interest rate risk. Included in the tables are the Scheme's investments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

	<i>Up to 1 month</i>	<i>Total</i>
	R	R
2015		
Available-for-sale investments	2 965 168	2 965 168
Cash and cash equivalents	6 916 984	6 916 984
Total	9 882 152	9 882 152

2014		
Available-for-sale investments	2 776 727	2 776 727
Cash and cash equivalents	5 701 658	5 701 658
Total	8 478 385	8 478 385

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 2015 would result in a decrease in members' funds of R96 398 (2014: R43 642).

An increase of 100 basis points in interest yield at 31 December 2015 would have had an equal but opposite effect on members' funds, on the basis that all other variables remain constant.

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

Capital risk management

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

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

The accumulated funds ratio was 87.32% at 31 December 2015 and 94.95% at 31 December 2014, compares favourably to the prescribed minimum accumulated funds ratio of 25%.

22. NON-COMPLIANCE MATTERS

Non-compliance with Regulation 30

Nature and impact

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

Causes for the failure

The Scheme is invested in collective investment schemes and therefore it is not possible for detailed information to be obtained on a daily basis.

22. NON-COMPLIANCE MATTERS (CONTINUED)

Non-compliance with Regulation 30 (continued)

Corrective action

The compliance is monitored by the Scheme on a monthly basis.

Non-compliance with Section 26(7) of the Act – contributions received three days of becoming due

Nature and impact

In terms of Section 26(7) of the Medical Schemes Act it is a requirement that contributions be received within three days of becoming due. The contravention of the Act could pose a financial risk to the Scheme due to non-payment, as well as a loss on interest on these amounts to the Scheme.

Causes for the non-compliance

Due to internal process delays the employers did not pay contributions on behalf of members within three days of becoming due. As a result, the Scheme is in contravention of Section 26(7) of the Act.

Corrective action

The Administrator's robust follow-up process has been instrumental in ensuring timeous payment of contributions by employer groups. Fishmed scheme management also continues to engage employer groups to put in place updated employer-scheme contracts compelling employers to pay according to the Scheme rules and the Act.

23. EVENTS AFTER THE REPORTING DATE

No material facts or circumstances have arisen between the date of the statement of financial position and the date of this report which affect the financial position or financial performance of the Scheme as reflected in these financial statements.

24. GOING CONCERN

The Board of Trustees considers the Scheme to be a going concern. The Board took the following into consideration in the evaluation of the Scheme's going-concern status:

- The reserve ratio at the end of the year was 87.32%.
- Available cash and investments at the end of the year amounted to R9 882 152.