

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF



**WILL BE HELD ON FRIDAY, 9 JUNE 2017 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, 17 June 2016
3. To receive the Chairperson's report and annual financial statements for the year ended 31 December 2016 and adopt the audited annual financial statements for the year ended 31 December 2016
4. To appoint the auditors for the ensuing year
5. Election of two member-elected and alternate Trustees
 - i. Nominations must be returned to the Principal Officer seven (7) days prior to the Annual General Meeting; cut-off date: 1 June 2017
 - ii. Announcement of nominations received for the member-elected Trustees
 - iii. Voting for the two member-elected and alternate Trustees
6. General
 - i. All matters pertaining to the Scheme to be submitted in writing seven (7) days prior to the Annual General Meeting
 - ii. Cut-off date: 1 June 2017
7. Close

By order of the Board

ALIDA SPRAGUE (MS)
PRINCIPAL OFFICER

CAPE TOWN
MAY 2017

MINUTES OF THE 2016 ANNUAL GENERAL MEETING

A full set of the minutes of the Annual General Meeting of Fishing Industry Medical Scheme, held on 17 June 2016, is available on request.

FISHING INDUSTRY MEDICAL SCHEME CHAIRPERSON'S REVIEW

2016 results

Fishmed continued with its commitment to providing its members with affordable and appropriate healthcare funding. The Scheme continued to report positive financial results and maintained a strong financial position during 2016. This is reflected in the reserve ratio of 77.45% at 31 December 2016. The reserve ratio continued to exceed the required statutory rate of 25%. 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 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.

The Scheme has also seen good positive growth in membership, with a reported membership figure of 1 703 as at the end of December 2016. The average age of beneficiaries (members and dependants) was 26.6 as at the end of December 2016.

Enhancements

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. We hope that members have used the preventative care benefit that was introduced on 1 January 2017, which allows all beneficiaries an annual flu vaccine at any pharmacy.

Following the number of requests over the years, we are pleased to advise that grandchildren, for whom members are liable for family care and support, are now allowed to be registered as dependants on the Scheme, subject to the relevant legal documentation.

Administrator

Members are to note that MMI Health (previously known as Metropolitan Health) has moved to the Parc du Cap office park in Bellville. The Administrator has also recently changed to a new operating platform, resulting in some teething problems that have caused some members to receive incorrect claims statements and to experience delays in the payment of claims. The Scheme is aware of the issues and is monitoring the situation. If you are experiencing any issues in this regard, please contact the Call Centre or refer escalated matters to the Principal Officer.

Council for Medical Schemes

Members are to note that the Scheme received an exemption from the Council for Medical Schemes from offering prescribed minimum benefits until 31 December 2017.

Thanks

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 2017

**FISHING INDUSTRY MEDICAL SCHEME
FINANCIAL STATEMENTS
for the year ended 31 December 2016**

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 2016, 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. These include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) 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 such internal controls 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 must ensure the use of appropriate accounting policies and prudent judgements and estimates. The Trustees are also responsible for monitoring adequate accounting records and an effective system of risk management.

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 2016 set out on pages 16 to 46 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

20 APRIL 2017

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

20 APRIL 2017

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

The Board of Trustees hereby presents its report for the year ended 31 December 2016.

Registration number: 1271

1. MANAGEMENT

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

Employer Trustees

Z Blaauw
I Dwayi
ML Harry (Chairperson)
L Ngcauzele

Member Trustees

M Britz	
A Johnson	Appointed: 17 June 2016
F Lakay	
Z Nzuzo	Resigned: 30 April 2016
NJ 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

I&J Offices	PO Box 2416
1 South Arm Road	Cape Town
Table Bay Harbour	8000
Cape Town	
8000	

1.4 Medical scheme administrator

MMI Health (Pty) Ltd

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

Accreditation no 17

The administrator's name changed from Metropolitan Health Corporate (Pty) Ltd to MMI Health (Pty) Ltd during 2016.

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

1. MANAGEMENT (CONTINUED)

1.5 Managed care and capitation provider during the year

MMI Health (Pty) Ltd

Parc du Cap
7 Mispel Road
Bellville
7530

PO Box 4313
Cape Town
8000

Accreditation no 26

The managed care and capitation provider's name changed from Metropolitan Health Risk Management (Pty) Ltd to MMI Health (Pty) Ltd during 2016.

1.6 Investment managers during the year

Nedgroup Collective Investments Limited

BoE Clocktower
V&A Waterfront
Cape Town
8001

PO Box 1510
Cape Town
8000

Coronation Management Company (RF) (Pty) Limited

Seventh Floor
C/o Campground and Main Roads
Claremont
7708

PO Box 44684
MontClare Place
Claremont
7735

Momentum Collective Investments Limited

268 West Avenue
Centurion
0157

PO Box 7400
Centurion
0046

Investec Fund Managers SA (RF) (Pty) Limited

100 Grayston Drive
Sandown
Sandton
2196

PO Box 785700
Sandton
2146

1.7 Actuaries

Willis Towers Watson Actuaries and Consultants (Pty) Ltd

MontClare Place
23 Main Road
Claremont
7708

Private Bag X30
Rondebosch
7700

1.8 Auditor

KPMG Inc

1 Mediterranean Street
Foreshore
Cape Town
8001

PO Box 4609
Cape Town
8000

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

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.

2.3 Personal medical savings accounts

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 MMI Health (Pty) Ltd for 2016. In the current year 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 to the Act.

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

- the Scheme remains liquid;
- investments are placed at minimum risk 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 issue arose through the year or existed at year-end.

4.1 Non-compliance with Section 26(7) of the Act contributions received three days after 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.

Causes for the non-compliance

Due to internal process delays not all contributions were received within three days of becoming due. As a result the Scheme is in contravention of Section 26(7) of the Act.

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

4. NON-COMPLIANCE MATTERS (CONTINUED)

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

Corrective action

The administrator's robust follow-up process has been instrumental in ensuring timeous payment of contributions by employer groups. The Scheme 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.

4.2 Payment of claims within 30 days

Nature and impact

In terms of Section 59(2) of the Act a member or provider claim should be settled within 30 days of submission. Instances were noted during the year where settlements took more than 30 days.

Causes of non-compliance

Delays can occur when accounts are referred for clinical audit or other investigations. These are, however, the exceptions and claims are generally paid within the prescribed time.

Corrective action

The administrator is aware of the requirements and complies as far as possible. It is, however, an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.

4.3 Annexure B investments

Nature and impact

In terms of Regulation 30 of the Act and in conjunction with Annexure B to the Regulations, a medical scheme should not have deposits greater than 35% in current accounts with a bank with net qualifying capital and reserve funds greater than R5 billion. At 31 December 2016 the Scheme's exposure to Standard Bank was more than 35%.

Causes for the failure

The Standard Bank account was funded in order to pay the claims run. This, together with the exposure to Standard Bank in the other investments, caused the total exposure to increase above 35%.

Corrective action

The claims run payment was made just after month-end, which corrected the exposure to Standard Bank.

4.4 Composition of the Audit Committee

Nature and impact

In terms of Section (10) (3) of the Act, the Audit Committee must have a minimum of at least five members, of whom a majority of the members are independent members. The Audit Committee of the Scheme had a vacancy at year-end, which resulted in non-compliance with the minimum requirement of five members for the composition of an Audit Committee.

Causes for the failure

The structure of the Scheme's Audit Committee is correct, but a vacancy existed at year-end for an independent member.

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

4. NON-COMPLIANCE MATTERS (CONTINUED)

4.4 Composition of the Audit Committee (continued)

Corrective action

Due to the size of the Scheme and the availability of independent members, the Scheme decided to apply for exemption of this regulation.

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.

Accumulated funds ratio	2016	2015
The accumulated funds ratio is calculated on the following basis:	R	R
Total members' funds per statement of financial position	11 292 067	9 639 824
Adjusted for revaluation reserve	(61 028)	(54 942)
Accumulated funds per Regulation 29 of the Act	<u>11 231 039</u>	<u>9 584 882</u>
Gross contributions	<u>14 501 075</u>	<u>10 977 093</u>
Accumulated funds ratio	<u>77.45%</u>	<u>87.32%</u>

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.

8. AUDIT COMMITTEE

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

- 15 April 2016; and
- 11 November 2016.

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.

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

8. AUDIT COMMITTEE (CONTINUED)

At year-end the committee comprised:

M Britz	Trustee
L Ngcauzele	Trustee
G Nortje	Independent member
T van der Westhuizen	Chairperson and independent member

The above-mentioned members also represent the Finance Committee.

At year-end the committee had a vacancy for an independent member.

9. SUBSEQUENT EVENTS

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

10. FIDELITY COVER

The Scheme was covered by professional indemnity insurance for the period 1 January 2016 to 31 December 2016. 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 the end of the year was 77.45%.
- Available cash and investments at the end of the year amounted to R11 684 333.

12. PRESCRIBED MINIMUM BENEFIT 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.

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
Z Blaauw	4	-	-	-	-	-
M Britz	4	4	2	2	3	2
I Dwayi	4	2	-	-	-	-
ML Harry	4	4	2	2	3	3
A Johnson	2	1	-	-	-	-
F Lakay	4	4	-	-	-	-
L Ngcauzele	4	2	-	-	-	-

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

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

Trustees/committee member	Board meetings		Audit Committee meetings		Finance Committee meetings	
	A	B	A	B	A	B
G Nortje#	-	-	2	2	3	3
Z Nzuzo	1	-	-	-	-	-
N Tlhakala	4	1	-	-	-	-
T van der Westhuizen#	-	-	2	2	3	3
A Sprague*	4	4	2	2	3	3

A total possible number of meetings could have attended

B actual number of meetings attended

independent member/non-Trustee of the Audit & Fincom Sub-Committees

* by invitation in her capacity as Principal Officer

14. OPERATIONAL STATISTICS FOR 2016

	Standard	Primary	Total
Average number of members for the accounting period	680	855	1 535
Number of members at the end of the accounting period	794	909	1 703
Average number of beneficiaries for the accounting period	1 519	2 072	3 591
Number of beneficiaries at the end of the accounting period	1 742	2 200	3 942
Average age of beneficiaries for the accounting period	26.0	25.5	25.7
Number of members joining the Scheme	282	210	492
Number of members leaving the Scheme	71	114	185
Dependant ratio	1.2	1.4	1.3
Pensioner ratio	0.40	0.14	0.25
Average contributions per member per month (R)	1 112.2	528.8	787.2
Average contributions per beneficiary per month (R)	497.9	218.2	336.5
Average relevant healthcare expenditure per member per month (R)	936.3	375.2	623.7
Average relevant healthcare expenditure per beneficiary per month (R)	419.1	154.8	266.6
Average administration expense per member per month (R)	118.8	118.2	118.5
Average administration expense per beneficiary per month (R)	53.2	48.8	50.6
Average managed care services per member per month (R)	-	-	-
Average accumulated funds per member at 31 December (R)	N/A	N/A	6 631
Relevant healthcare expenditure as a percentage of contributions	84.2%	70.9%	79.2%
Managed care services as a percentage of contributions	0.0%	0.0%	0.0%
Non-healthcare expenses as a percentage of contributions	10.7%	22.4%	15.0%
Amount paid to administrator (R)	598 225	752 181	1 350 406
Return on investments as a percentage of investments	N/A	N/A	7.41%

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

15. 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 services as a percentage of contributions	0.4%	6.9%	3.1%
Non-healthcare expenses as a percentage of contributions	11.1%	23.6%	16.2%
Amount paid to administrator (R)	414 209	609 762	1 023 971
Return on investments as a percentage of investments	N/A	N/A	6.60%

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Fishing Industry Medical Scheme ('the Scheme'), set out on pages 16 to 46, which comprise the statement of financial position at 31 December 2016, the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fishing Industry Medical Scheme at 31 December 2016 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Net expense on risk transfer arrangement

Refer to notes 1.8, 10 and 19 to the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Scheme entered into a risk transfer arrangement with MMI Health (Pty) Ltd (the 'reinsurer'). This risk transfer arrangement is a contractual arrangement whereby the reinsurer covers all risk claims incurred by all the members of the Scheme for a risk transfer premium.</p> <p>Accounting for risk transfer arrangements in accordance with IFRS 4, <i>Insurance Contracts</i> (IFRS 4) required significant work effort by the audit team. Risk transfer arrangements require significant judgements to be made by the Scheme, to determine whether significant insurance risk has been transferred from the Scheme to the reinsurer.</p> <p>Further, the accuracy of the recognition and measurement of the risk transfer arrangements amounts are dependent on the integrity of the reinsurer's system.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - We evaluated and considered the findings, as set out in the Scheme's service organisation review report, on which an assurance conclusion was expressed by the independent service auditor of the administrator on the administrator's control environment, including: <ul style="list-style-type: none"> • the IT controls in place to prevent unauthorised access or changes to the administration system • the automated claim assessment controls of the administration system to ensure only valid claims were being processed and paid. - We assessed the competence, independence and integrity of the independent service auditor of the administrator.

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

Key audit matters (continued)

The key audit matter	How the matter was addressed in our audit
Due to the complexity of the accounting treatment of the risk transfer arrangement, including the significant judgement required in recognising this arrangement, this matter was considered a key audit matter.	<ul style="list-style-type: none"> - We recalculated and agreed the risk transfer premiums paid on the risk transfer arrangement to the risk transfer contract with MMI Health (Pty) Ltd. - We assessed whether the recognition requirements and disclosures in the financial statements were appropriate in terms of the IFRS 4, including that the recognition and measurement of the premiums paid and recoveries from the risk transfer arrangement were accurate.

Other information

The Scheme's Trustees are responsible for the other information. The other information comprises the Board of Trustees' responsibility statement, the statement of corporate governance by the Board of Trustees and the report of the Board of Trustees. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Scheme's Trustees for the financial statements

The Scheme's Trustees are responsible for the preparation and fair presentation of the 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 Scheme's Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Scheme's Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting, unless the Scheme's Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.



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

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's Trustees.
- Conclude on the appropriateness of the Scheme's Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Scheme's Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Scheme's Trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa that have come to our attention during the course of our audit.

KPMG Inc



Per GC Krüger
Chartered Accountant (SA)
Registered Auditor
Director

24 April 2017

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF FINANCIAL POSITION
at 31 December 2016**

	Notes	2016 R	2015 R
ASSETS			
Non-current assets			
Available-for-sale investments	2	3 200 055	2 965 168
Current assets			
Insurance and other receivables	3	1 472 736	1 003 632
Cash and cash equivalents	4	8 484 278	6 916 984
Total assets		13 157 069	10 885 784
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		11 231 039	9 584 882
Revaluation reserve: Available-for-sale investments		61 028	54 942
Current liabilities			
Insurance and other payables	5	1 649 328	1 039 357
Outstanding risk claims provision	6	215 674	206 603
Total funds and liabilities		13 157 069	10 885 784

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016**

	Notes	2016 R	2015 R
Risk contribution income	7	14 501 075	10 977 093
Relevant healthcare expenditure		(11 489 232)	(8 658 013)
Net claims incurred		(9 649 799)	(8 188 625)
Risk claims incurred	8	(9 649 799)	(7 852 992)
Managed care services	9	-	(335 633)
Net expense on risk transfer arrangement		(1 839 433)	(469 388)
Premiums paid on risk transfer arrangement	10	(11 711 468)	(8 400 723)
Recoveries from risk transfer arrangement	10	9 649 586	7 851 713
Profit share	10	222 449	79 622
Gross healthcare result		<u>3 011 843</u>	<u>2 319 080</u>
Administration and other expenditure	11	(2 178 370)	(1 771 404)
Net impairment on insurance and other receivables	12	<u>(3 920)</u>	<u>(8 696)</u>
Net healthcare result		829 553	538 980
Other income			
Investment income	13	805 205	598 046
Sundry income	14	60 821	60 000
Investment management fees	13	(49 422)	(44 509)
Net surplus for the year		<u>1 646 157</u>	<u>1 152 517</u>
Other comprehensive income			
Fair value adjustment on available-for-sale investments		6 086	(231)
Total comprehensive income for the year		<u><u>1 652 243</u></u>	<u><u>1 152 286</u></u>

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2016**

	2016	2015
	R	R
Accumulated funds		
Balance at beginning of the year	9 584 882	8 432 365
Net surplus for the year	1 646 157	1 152 517
Balance at the end of the year	<u>11 231 039</u>	<u>9 584 882</u>
Revaluation reserve: Available-for-sale investments		
Balance at beginning of the year	54 942	55 173
Net unrealised gain/(loss) on revaluation of available-for-sale investments	6 086	(231)
Balance at the end of the year	<u>61 028</u>	<u>54 942</u>
Members' funds	<u>11 292 067</u>	<u>9 639 824</u>

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF CASH FLOWS
for the year ended 31 December 2016**

	Notes	2016 R	2015 R
Cash flows from operating activities			
Cash flows generated from operations before working capital changes	18	853 943	570 646
Working capital changes		146 052	239 320
- Increase in insurance and other receivables		(463 919)	(9 332)
- Increase in insurance and other payables		609 971	248 652
Cash generated from operations		999 995	809 966
Interest received		796 100	594 032
Net cash flows from operating activities		1 796 095	1 403 998
Cash flows utilised in investing activities			
Reinvestment of investment income		(228 801)	(188 672)
Net increase in cash and cash equivalents		1 567 294	1 215 326
Cash and cash equivalents at the beginning of the year		6 916 984	5 701 658
Cash and cash equivalents at the end of the year	4	8 484 278	6 916 984

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016**

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 and the applicable circulars published by the Council for Medical Schemes.

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 rand (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 overleaf.

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

Financial liabilities

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

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 it 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 depend on a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim.

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

1.5 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 the statement of comprehensive income.

1.6 Contribution income

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

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 services expenses are disclosed as relevant healthcare expenses and 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.

1.13 Reimbursements from the Road Accident Fund (RAF)

The Scheme grants assistance to its members in defraying expenditure incurred in connection with rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the 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.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.13 Reimbursements from the Road Accident Fund (RAF) (continued)

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

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

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

1.16 Standards and interpretations

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

IFRS 9 Financial Instruments

IFRS 9, 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:

Amendments to IAS 1 Presentation of Financial Statements Disclosure initiative

There is an emphasis on materiality. Specific single disclosure that is not material does not have to be presented, even if it is a minimum requirement of a standard. Adopting this amendment has no significant impact on the Scheme.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

2. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	R	R
Fair value at the beginning of the year	2 965 168	2 776 727
Additions reinvestment of investment income	228 801	188 672
Net unrealised gain/(loss) on revaluation of available-for-sale investments	6 086	(231)
	<u>3 200 055</u>	<u>2 965 168</u>

The available-for-sale investments in collective investment schemes are invested in:

- Bonds, bills and securities	799 054	1 590 516
- Money-market instruments	2 401 001	1 125 700
- Shares in property companies	-	248 952
	<u>3 200 055</u>	<u>2 965 168</u>

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

3. INSURANCE AND OTHER RECEIVABLES

Insurance receivables

Contributions outstanding	976 257	680 639
Amounts recoverable from members and service providers	16 819	5 214
	<u>993 076</u>	<u>685 853</u>

Less: Accumulated impairment losses

- Carrying amount at the beginning of the year	(15 007)	(15 487)
- Impairment losses (incurred)/reversed during the year	(3 920)	480

	<u>974 149</u>	<u>670 846</u>
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Add: Risk transfer arrangement

- Share of outstanding claims provision (note 6)	215 674	206 603
- Profit share receivable	231 406	83 781
	<u>1 421 229</u>	<u>961 230</u>

Other receivables

Sundry accounts receivable	12 500	12 500
Accrued interest	39 007	29 902

Total insurance and other receivables	<u>1 472 736</u>	<u>1 003 632</u>
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**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

3. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

	2016	2015
	R	R
Analysis of movements in respect of risk transfer arrangement		
Balance at the beginning of the year	206 603	198 624
Payments received in respect of prior year	(206 603)	(198 624)
Under provision in prior year	-	-
Adjustments for current year	215 674	206 603
Balance at the end of the year	<u>215 674</u>	<u>206 603</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	2 439 669	1 367 024
Current accounts	242 773	151 992
Money market	5 801 836	5 397 968
	<u>8 484 278</u>	<u>6 916 984</u>

The weighted average effective interest rate on call accounts was 6.44% (2015: 5.26%), current accounts 5.10% (2015: 2.92%) and on money-market, collective-investment schemes 7.92% (2015: 6.87%). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

5. INSURANCE AND OTHER PAYABLES

Insurance payables	1 428 330	862 545
Contributions received in advance	49 685	58 015
Risk transfer arrangement premium	1 378 135	803 199
Stale cheques	510	1 331
Other payables	220 998	176 812
Accrued expenses	54 558	13 921
Audit fee accrual	166 440	162 891
	<u>1 649 328</u>	<u>1 039 357</u>

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

6. OUTSTANDING CLAIMS PROVISION

	Not covered by risk transfer arrangement R	Covered by risk transfer arrangement R
2016		
Provision for outstanding risk claims	-	215 674
<i>Analysis of movements in outstanding risk claims provision</i>		
Balance at the beginning of the year	-	206 603
Payments in respect of the prior year	-	(206 603)
Over provision in respect of the prior year	-	-
Adjustment for the current year	-	215 674
Balance at end of the year	-	215 674
Total outstanding risk claims provision	215 674	
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	-	206 603
Total outstanding risk claims provision	206 603	

Process and assumptions used to prepare estimates

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

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

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

6. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Process and assumptions used to prepare estimates (continued)

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 claims outstanding (excluding risk transfer agreements) at the end of the year is nil as the benefit offering to beneficiaries of the Scheme is a fully capitated benefit.

No further assumptions and sensitivity analysis is therefore provided.

7. RISK CONTRIBUTION INCOME

	2016	2015
	R	R
Contributions	<u>14 501 075</u>	<u>10 977 093</u>

8. NET CLAIMS INCURRED

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

Current year claims	213	1 779
Movement in outstanding claims provision	-	(500)
- Over provision in prior year	-	(500)
- Adjustment for current year	-	-
	<u>213</u>	<u>1 279</u>

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

8. NET CLAIMS INCURRED (CONTINUED)

	2016	2015
	R	R
Claims incurred in respect of risk transfer arrangement		
Current year claims	9 433 912	7 645 110
Outstanding claims provision (note 6)	215 674	206 603
- Adjustment for current year	215 674	206 603
- Prior year under provision	-	-
	9 649 586	7 851 713
Net claims incurred	9 649 799	7 852 992

The Scheme entered into a risk transfer arrangement that, in substance, covers all risk claims incurred by all members of the Scheme. The risk transfer arrangement between the Scheme and MMI Health (Pty) Ltd ('the risk transfer organisation') is renewed on an annual basis.

9. MANAGED CARE SERVICES

Specialist, hospital referrals and pre-authorisations	-	335 633
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As per the requirements of Circular 56 of 2015, accredited managed care services are disclosed as part of relevant healthcare expenditure. The contracting arrangement with MMI Health changed effective 1 January 2016. According to the new arrangement, managed care costs are not incurred by the Scheme, as all the benefits are fully capitated.

10. NET EXPENSE ON RISK TRANSFER ARRANGEMENT

Premiums paid on risk transfer arrangement with MMI Health	(11 711 468)	(8 400 723)
Less:		
Recoveries from risk transfer arrangement with MMI Health	9 649 586	7 851 713
Profit share from risk transfer arrangement with MMI Health	222 449	79 622
Net expense on risk transfer arrangement	(1 839 433)	(469 388)

Hospital care for both options, excluding in-hospital on the Primary option, is covered by the risk transfer arrangement with MMI Health. The risk transfer agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is renewable every year and was renewed for the 2016 and 2015 financial years. The risk transfer premiums are charged on a per member and dependant 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	1 350 406	1 023 971
Actuarial fees	73 245	68 970
Audit fees	166 440	162 892
Bank charges	29 103	27 642
Fidelity insurance	13 500	13 500
Levies: Council for Medical Schemes	44 686	34 214
Membership fees	15 593	11 717
Other expenses	6 984	9 624

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

11. ADMINISTRATION AND OTHER EXPENDITURE (CONTINUED)

	2016	2015
	R	R
Principal Officer remuneration	201 122	186 065
Printing, postage and communication	114 171	84 705
Rule registration costs	1 285	550
Staff costs	138 489	128 691
Telephone	14 931	13 771
Travel and entertainment	8 415	5 092
	<u>2 178 370</u>	<u>1 771 404</u>

12. NET IMPAIRMENT ON INSURANCE AND OTHER RECEIVABLES

Insurance and other receivables

Members' and service providers' portions that are not recoverable	(3 920)	(8 696)
Movement in accumulated impairments	(3 920)	480
Written off during the year	-	(9 176)
	<u>(3 920)</u>	<u>(8 696)</u>

13. INVESTMENT INCOME

Available-for-sale investments interest income	244 749	203 356
Cash and cash equivalents interest income	560 456	394 690
	<u>805 205</u>	<u>598 046</u>
Investment management fees	(49 422)	(44 509)
	<u>755 783</u>	<u>553 537</u>

14. SUNDRY INCOME

Costs recovered from the sick fund	60 000	60 000
Stale cheques written back	821	-
	<u>60 821</u>	<u>60 000</u>

15. RELATED PARTY DISCLOSURES

Parties with significant influence over the Scheme

MMI Health (Pty) Ltd 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. MMI Health provides administration services.

Managed care organisation, MMI Health, 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.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

15. RELATED PARTY DISCLOSURES (CONTINUED)

Key management personnel and their close family members

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

Close family members includes 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	2016	2015
Compensation	R	R
Short-term employment benefits	201 122	186 065
Contributions and claims		
Risk contributions received	53 828	37 832
Claims incurred	25 564	14 932
Travel expenses Principal Officer	2 984	-

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 2016.

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 their individual capacity. All contributions were at the same terms as applicable to all members of the Scheme.

Claims incurred

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

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

Statement of comprehensive income

Administration fees	1 350 406	1 023 971
Managed care fees	-	335 633
Risk transfer premiums	11 711 468	8 400 723
Recoveries on risk transfer arrangement	9 649 586	7 851 713
Profit share on risk transfer arrangement	222 449	79 622
Actuarial fees	73 245	68 970

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

15. RELATED PARTY DISCLOSURES (CONTINUED)

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

	2016	2015
	R	R
Statement of financial position		
Risk transfer arrangement recoveries receivable	215 674	206 603
Risk transfer premium fees due	(1 378 135)	(803 199)
Managed care fees due	-	(6 796)
Postage due to administrator	(41 632)	(4 742)
Accrued profit share on risk transfer arrangement	231 406	83 781

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 three months' 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 is reviewed annually and was renewed for 2016. The risk transfer premiums are charged on a per member and dependant basis.

16. GUARANTEES AND COMMITMENTS

The Scheme has not provided any guarantees or commitments.

17. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

	Standard	Primary	Total
	R	R	R
2016			
Risk contribution income	9 075 673	5 425 402	14 501 075
Relevant healthcare expenditure	(7 640 004)	(3 849 228)	(11 489 232)
Net claims incurred	(6 492 635)	(3 157 164)	(9 649 799)
Risk claims incurred	(6 492 635)	(3 157 164)	(9 649 799)
Managed care services	-	-	-
Net expense on risk transfer arrangement	(1 147 369)	(692 064)	(1 839 433)
Premiums paid on risk transfer arrangement	(7 790 447)	(3 921 021)	(11 711 468)
Recoveries from risk transfer arrangement	6 492 635	3 156 951	9 649 586
Profit share	150 443	72 006	222 449

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

17. SURPLUS FROM OPERATIONS PER BENEFIT OPTION (CONTINUED)

	Standard	Primary	Total
	R	R	R
2016 (continued)			
Gross healthcare result	1 435 669	1 576 174	3 011 843
Administration and other expenditure	(967 377)	(1 210 993)	(2 178 370)
Net impairment on insurance and other receivables	(1 846)	(2 074)	(3 920)
Net healthcare result	466 446	363 107	829 553
Other income			
Investment income	356 254	448 951	805 205
Sundry income	26 941	33 880	60 821
Management fees	(21 886)	(27 536)	(49 422)
Net surplus for the year	<u>827 755</u>	<u>818 402</u>	<u>1 646 157</u>
2015			
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 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 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	<u>515 382</u>	<u>637 135</u>	<u>1 152 517</u>

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

18. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES

	2016	2015
	R	R
Net surplus for the year	1 646 157	1 152 517
Adjustments for:		
Increase in outstanding claims provision	9 071	7 479
Interest income	(805 205)	(598 046)
Impairment provided	3 920	8 696
	<u>853 943</u>	<u>570 646</u>

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.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

19. INSURANCE RISK MANAGEMENT (CONTINUED)

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

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

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

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

Concentration of insurance risk

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

2016

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
< 24	1 021	764	1 785
25 – 34	367	398	765
35 – 49	648	415	1 063
50 – 64	161	158	319
> 65	3	7	10
Total	2 200	1 742	3 942

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

19. INSURANCE RISK MANAGEMENT (CONTINUED)

Concentration of insurance risk (continued)

The following tables summarise the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred by age group and in relation to the type of risk covered/benefits provided.

2016

Age grouping (in years)	General practitioners (R)	Specialists (R)	Dentistry (R)	Medicines (R)	Hospital (R)	Optical (R)	Total (R)
<26	-	-	-	-	-	-	-
26 – 35	-	-	-	-	-	-	-
36 – 50	-	-	-	-	213	-	213
51 – 65	-	-	-	-	-	-	-
>65	-	-	-	-	-	-	-
MMI Health Movement in IBNR provision	4 050 066	1 302 538	610 166	649 211	2 362 071	675 534	9 649 586
	-	-	-	-	-	-	-
Total	4 050 066	1 302 538	610 166	649 211	2 362 284	675 534	9 649 799

2015

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

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.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

19. INSURANCE RISK MANAGEMENT (CONTINUED)

Concentration of insurance risk (continued)

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. ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

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

An assumption concerning the future that has a risk of causing an 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 an assumption was used, it is not viewed as critical as post statement of financial position settlements against the provision have been monitored to ensure reasonability of the original provision.

21. FINANCIAL RISK MANAGEMENT

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

2016	Loans and other receivables (R)	Available-for- sale investments (R)	Financial liabilities measured at amortised cost (R)	Insurance receivables and payables (R)
Investments	-	3 200 055	-	-
Cash and cash equivalents	8 484 278	-	-	-
Insurance and other receivables				
- <i>Insurance receivables</i>	-	-	-	1 421 229
- <i>Other receivables</i>	51 507	-	-	-
Insurance and other payables				
- <i>Insurance payables</i>	-	-	-	1 428 330
- <i>Other payables</i>	-	-	220 998	-
Outstanding claims provision	-	-	-	215 674
	8 535 785	3 200 055	220 998	3 065 233

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

2015	Loans and other receivables (R)	Available-for-sale investments (R)	Financial liabilities measured at amortised cost (R)	Insurance receivables and payables (R)
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

The carrying amounts of all financial assets and financial liabilities approximate their fair values.

Risk management

The Scheme's activities expose it to a variety of financial risks, including the effects of changes in interest rates. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members. Risk management and investment decisions are made by the Board of Trustees with the assistance of the Finance Sub-Committee. The Board of Trustees approves all written policies.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Scheme has the ability to fund its day-to-day operations.

At year-end 72.61% (2015: 63.16%) of the Scheme's assets were invested in cash and cash equivalents to ensure that the Scheme can meet its short-term liabilities. The following table illustrates the prudent liquidity position of the Scheme:

	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 year	Total
2016	R	R	R	R	R
Outstanding claims provision	153 035	62 639			215 674
Insurance payables					
- Contributions received in advance	49 685				49 685
- Risk transfer arrangement premiums due	1 378 135				1 378 135
- Stale cheques	510				510
Other payables	54 558	166 440			220 998
Total liabilities	1 635 923	229 079	-	-	1 865 002

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Liquidity risk (continued)

	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 year	Total
2016 (continued)	R	R	R	R	R
Cash and cash equivalents	-	-	-	-	8 484 278
Excess liquidity					6 619 277

	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 year	Total
2015	R	R	R	R	R
Outstanding claims provision	199 943	6 660	-	-	206 603
Insurance payables					
Contributions received in advance	58 015	-	-	-	58 15
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

Credit risk

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

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

Financial institution	2016	2015	Credit rating	
			Moody's deposit ratings	
	R	R	2016	2015
Standard Bank of South Africa Ltd	2 682 442	1 519 016	Baa2	Baa2

Other cash and cash equivalents are invested in money-market products. These money-market vehicles invest in various cash instruments with high credit quality.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The credit risk on liquid funds is limited because the counterparties are financial institutions with high credit ratings. The table below illustrates the majority of the exposure.

2016	Neither past due, nor impaired R	Past due, not impaired R	Impaired R	Total carrying amount R
Insurance and other receivables	1 448 672	24 064	-	1 472 737
Insurance receivables	1 165 759	24 064	18 927	1 208 750
- Contributions outstanding	946 203	24 064	5 990	976 257
- Accounts recoverable from members and providers	3 882	-	12 937	16 819
- Outstanding claims provision on risk transfer arrangement	215 674	-	-	215 674
- Accumulated impairment losses	-	-	(18 927)	(18 927)
- Profit share receivable	231 406	-	-	231 406
- Other receivables	51 507	-	-	51 507
Cash and cash equivalents	8 484 278	-	-	8 484 278
Total	9 932 950	24 064	-	9 957 015

2015

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 2016 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Age analysis of past due amounts:

2016	30 days	60 days	90 days	Total
	R	R	R	R
Contributions outstanding	15 887	6 045	2 132	24 064
Accounts recoverable from members and providers	-	-	-	-
Past due total	15 887	6 045	2 132	24 064

2015	30 days	60 days	90 days	Total
	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

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 2016	Level 1	Level 2	Level 3	Reclassification
	R	R	R	R
Available-for sale-financial assets				
Collective investment schemes	3 200 055	-	-	-
Total	3 200 055	-	-	-

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation (continued)

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

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 collective investment schemes (Funds) which earn returns to the Scheme. The Scheme views these funds as unconsolidated structured entities. The Scheme monitors the performance of the funds closely to ensure the Scheme earns high returns without unnecessary exposure to risk.

The Scheme has investments in 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 2016		As at 31 December 2015	
	Fair value (R)	% exposure in terms of Regulation 30	Fair value (R)	% exposure in terms of Regulation 30
Coronation Jibar Plus Fund	3 200 055	27.39%	2 965 168	30.01%
Investec Money-Market Fund	1 786 230	15.29%	1 663 524	16.83%
Nedgroup Investments Money-Market Fund	1 807 965	15.47%	1 682 829	17.03%
Momentum Money-Market Fund	2 207 641	18.89%	2 051 615	20.76%

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.

**FISHING INDUSTRY MEDICAL SCHEME
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for the year ended 31 December 2016 (continued)**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

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

	<i>Up to 1 month</i>	<i>Total</i>
2016	R	R
Available-for-sale investments	3 200 055	3 200 055
Cash and cash equivalents	8 484 278	8 484 278
Total	11 684 333	11 684 333

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

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 2016 would result in a decrease in members' funds of R116 843 (2015: R96 398).

An increase of 100 basis points in interest yield at 31 December 2016 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 accumulated funds ratio was 77.45% at 31 December 2016 and 87.32% at 31 December 2015, which compares favourably to the prescribed minimum accumulated funds ratio of 25%.

22. NON-COMPLIANCE MATTERS

22.1 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.

22. NON-COMPLIANCE MATTERS (CONTINUED)

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

Causes for the non-compliance

Due to internal process delays not all contributions were received 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. The Scheme 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.

22.2 Payment of claims within 30 days

Nature and impact

In terms of Section 59(2) of the Act a member or provider claim should be settled within 30 days of submission. Instances were noted during the year where settlements took more than 30 days.

Causes of non-compliance

Delays can occur when accounts are referred for clinical audit or other investigations. These are, however, the exceptions and claims are generally paid within the prescribed time.

Corrective action

The administrator is aware of the requirements and complies as far as possible. It is, however, an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.

22.3 Annexure B investments

Nature and impact

In terms of Regulation 30 of the Act in conjunction with Annexure B, to the Regulations, a medical scheme should not have deposits greater than 35% in current accounts with a bank with net qualifying capital and reserve funds greater than R5 billion. At 31 December 2016 the Scheme's exposure to Standard Bank was more than 35%.

Causes for the failure

The Standard Bank account was funded in order to pay the claims run. This, together with the exposure to Standard Bank in the other investments, caused the total exposure to increase above 35%.

Corrective action

The claims run payment was made just after month-end which corrected the exposure to Standard Bank.

22.4 Composition of the Audit Committee

Nature and impact

In terms of Section (10)(3) of the Act, the Audit Committee must have a minimum of at least five members of which the majority of the members are independent members. The Audit Committee of the Scheme had a vacancy on the Audit Committee at year-end which resulted in non-compliance with the minimum requirements of five members for composition of an Audit Committee.

22. NON-COMPLIANCE MATTERS (CONTINUED)

22.4 Composition of the Audit Committee (continued)

Causes for the failure

The structure of the Scheme's Audit Committee is correct, but a vacancy for an independent member existed at year-end.

Corrective action

Due to the size of the Scheme and the availability of independent members, the Scheme decided to apply for exemption from this Regulation.

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 77.45%.
- Available cash and investments at the end of the year amounted to R11 684 333.

