

**NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF**



**WILL BE HELD ON FRIDAY, 28 JUNE 2019 AT 10:00 AT I&J OFFICES, TRAINING ROOM, 1 SOUTH ARM ROAD, TABLE BAY HARBOUR**

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**AGENDA**

1. To read the notice convening the Annual General Meeting
2. To confirm and sign the minutes of the Annual General Meeting held on Friday, 8 June 2018
3. To receive the Chairperson's report and annual financial statements for the year ended 31 December 2018 and adopt the audited annual financial statements for the year ended 31 December 2018
4. To appoint the auditors for the ensuing year
5. Election of four member-elected Trustees and an alternate Trustee
  - i. Nominations must be returned to the Principal Officer seven (7) days prior to the Annual General Meeting; cut-off date: 21 June 2019
  - ii. Announcement of nominations received for the member-elected and alternate Trustees
  - iii. Voting for the three member-elected and two alternate Trustees
6. To ratify and approve the recommendation by the Board of Trustees to remunerate independent members serving on the Audit Committee as proposed by the Council for Medical Schemes
7. 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: 21 June 2019
8. Close

By order of the Board

**ALIDA SPRAGUE (MS)**  
PRINCIPAL OFFICER

CAPE TOWN  
MAY 2019

**MINUTES OF THE 2018 ANNUAL GENERAL MEETING**

A full set of the minutes of the Annual General Meeting of Fishing Industry Medical Scheme, held on 8 June 2018, is available on request.

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

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### **2018 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 2018. This is reflected in the reserve ratio of 76.12% at 31 December 2018. 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 1 761 as at the end of December 2018. The average age of beneficiaries (members and dependants) at the end of December 2018, was 26.9.

### **Enhancements**

One of the most important factors that needs to be taken into consideration when enhancing benefits for the next year is both the Scheme rate (the rate at which we reimburse claims) and the benefit limits that need to be increased.

The Board of Trustees have introduced an over-the-counter medication benefit that allows you to go into the pharmacy to buy medication over the counter at pharmacies. This benefit is limited to R250 per family per year. You will be able to spend R50 per visit to the pharmacy until the R250 limit is reached.

Hello Doctor has also been introduced, which makes it easy to get advice from a doctor. This service is available 24 hours a day, seven days a week.

We trust that you will make use of these benefits and that they are of value to you and your loved ones.

### **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 2019.

### **Word of thanks from the Chairperson**

I would like express my thanks to:

- my fellow Trustees and welcome the newly-appointed Trustees to the table;
- the Principal Officer and her team for managing the Scheme and the members with such professionalism;
- the independent committee members for their dedication; and
- our Administrator, MMI Health, for managing our Scheme and its members with efficiency and professionalism.

We look forward to yet another successful year for the Scheme in which our members and their dependants will enjoy good health.



**MR I DWAYI**  
CHAIRPERSON

MAY 2018

**FISHING INDUSTRY MEDICAL SCHEME  
ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2018**

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**BOARD OF TRUSTEES' RESPONSIBILITY STATEMENT**

The Trustees of Fishing Industry Medical Scheme (the Scheme) are responsible for the preparation and fair presentation of the annual financial statements, comprising the statement of financial position at 31 December 2018, the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year ended and the notes to the financial statements, including 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 for the foreseeable future.

The Scheme's auditors, PricewaterhouseCoopers Inc, audited the financial statements and their report is presented on pages 13 to 16.

**Approval of the annual financial statements**

The financial statements for the year ended 31 December 2018 set out on pages 17 to 51 were approved by the Board of Trustees and are signed on its behalf by:



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**MS A HECTOR**  
ACTING CHAIRPERSON



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**MR M BRITZ**  
TRUSTEE



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**MS A SPRAGUE**  
PRINCIPAL OFFICER

24 APRIL 2019

**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.



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**MS A HECTOR**  
ACTING CHAIRPERSON



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**MR M BRITZ**  
TRUSTEE



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**MS A SPRAGUE**  
PRINCIPAL OFFICER

24 APRIL 2019

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

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The Board of Trustees hereby presents its report for the year ended 31 December 2018.

Registration number: 1271

**1. MANAGEMENT**

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

**Employer Trustees**

I Dwayi (Chairperson)	Appointed: 23 March 2018
ML Harry (Chairperson)	Resigned: 23 March 2018
A Hector	Appointed: 23 March 2018
R Howarth	Appointed: 23 March 2018
L Ngcauzele	Resigned: 23 March 2018
S Muller	Resigned: 8 June 2018

**Member Trustees**

R Bosch	Appointed: 8 June 2018
M Britz	
A Johnson	
M Lakay	Resigned: 23 February 2018
S Nojekwa	Appointed: 8 June 2018
NJ Tlhakala	Resigned: 23 February 2018

**1.2 Principal Officer**

**Ms A Sprague**

1 South Arm 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**

268 West Avenue	PO Box 7400
Centurion	Centurion
Gauteng	0046
0157	

Accreditation no. 17

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

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**1. MANAGEMENT (CONTINUED)**

**1.5 Capitation provider during the year**

**MMI Health (Pty) Ltd**

268 West Avenue  
Centurion  
Gauteng  
0157

PO Box 7400  
Centurion  
0046

Accreditation no. 26

**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

**Sanlam Investment Management**

2 Strand Road  
Bellville  
7530

PO Box 1  
Sanlamhof  
7530

**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**

**NMG Consultants and Actuaries (Pty) Limited**

Belvedere Office Park  
Block B  
Pasita Street  
Tygervalley  
7536

PO Box 3950  
Tygervalley  
7536

**1.8 Auditor**

**PricewaterhouseCoopers Inc**

5 Silo Square  
V&A Waterfront  
Cape Town  
8002

PO Box 2799  
Cape Town  
8000

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

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**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 account**

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

**2.4 Corporate governance**

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

**2.5 Risk transfer arrangement**

The Scheme renewed the risk transfer arrangement with MMI Health (Pty) Ltd for 2018. 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 matters arose throughout the year or existed at year-end.

**4.1 Contravention of Section 26(7) of the Medical Schemes Act**

*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. This relates to contribution debt of R9 748 outstanding at year end.

**4. NON-COMPLIANCE MATTERS (CONTINUED)**

**4.1 Contravention of Section 26(7) of the Medical Schemes Act (continued)**

*Causes for the non-compliance*

The Medical Schemes Act defines when contributions are due; however, a small percentage of employer groups and/or members pay late. 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 with employer groups to put updated employer/Scheme contracts in place, compelling employers to pay according to the Scheme rules and the Act.

**4.2 Contravention of Section 36(10) of the Medical Schemes Act**

*Nature and impact*

In terms of Section 36(10) of the Act, the Audit Committee must have a minimum of at least five members, of whom the majority shall be independent members. The Audit Committee of the Scheme had a vacancy at year-end, which resulted in it being non-compliant with the minimum requirements 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.

*Corrective action*

The Scheme applied for exemption of Section 36(10) of the Act and received feedback and recommendations from the Council for Medical Schemes. A remuneration policy has been implemented to attract new independent Trustees. A new independent Trustee was appointed after year-end, which made the Audit Committee structure compliant as at April 2019.

**4.3 Contravention of Regulation 35(8)(c) of the Medical Schemes Act**

*Nature and impact*

In terms of the Medical Schemes Act and specifically Regulation 35(8)(c), a medical scheme shall not invest any of its assets in the business of any administrator. During the year the Scheme had pooled investments with exposure to medical scheme administrators.

*Causes for the failure*

The Scheme's investments in pooled investment vehicles allow investment managers the discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark.

*Corrective action*

The Scheme has made application to the Council for Medical Schemes in February 2019 for an exemption from this section of the Medical Schemes Act. The Scheme is awaiting feedback from the Council of Medical Schemes.

**4.4 Contravention of Regulation 30 and Annexure B to the Regulations of the Medical Schemes Act**

*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 December 2018 the Scheme's exposure to Standard Bank was 39.99%.

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

**4. NON-COMPLIANCE MATTERS (CONTINUED)**

**4.4 Contravention of Regulation 30 and Annexure B to the Regulations of the Medical Schemes Act (continued)**

*Causes for the failure*

Exposure to Standard Bank in the other investments held, together with good operational performance, caused total exposure to increase over the 35% limit at 31 December 2018.

*Corrective action*

Funds have been moved from the Standard Bank account in 2019 to rectify the non-compliance.

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

**5.1 Results of operations**

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

**5.2 Accumulated funds ratio**

**2018**

**2017**

**R**

**R**

The accumulated funds ratio is calculated on the following basis:

Accumulated funds	14 555 539	13 397 465
Revaluation reserve on available-for-sale investment	-	(59 154)
Unrealised gain on investments at fair value through profit and loss	(151 707)	-
Accumulated funds per Regulation 29 of the Act	<u>14 403 832</u>	<u>13 338 311</u>
Gross contributions per statement of comprehensive income	<u>18 923 174</u>	<u>17 687 803</u>
Accumulated funds ratio	<u>76.12%</u>	<u>75.41%</u>

**6. ACTUARIAL SERVICES**

The Trustees have appointed NMG Consultants and Actuaries (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 14 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:

- 6 April 2018; and
- 9 November 2018.

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

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**8. AUDIT COMMITTEE (CONTINUED)**

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

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

The committee comprises:

- M Britz	Trustee	
- A Hector	Trustee	Appointed: 9 November 2018
- L Ngcauzele	Trustee	Resigned : 23 February 2018
- G Nortje	Chairperson and independent member	Appointed: 13 April 2018
- T van der Westhuizen	Chairperson and independent member	Resigned: 13 April 2018
- T van der Westhuizen	Independent member	Appointed: 9 November 2018
- S Adams	Independent member	Resigned: 13 April 2018

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 2018 to 31 December 2018. 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 76.12%.
- Available cash and investments at the end of the year amounted to R15 006 185.

**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 2019 or an earlier date, as deemed by the Council for Medical Schemes.

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

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

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

Trustees/committee member	Board meetings		Audit Committee meetings		Finance Committee meetings	
	A	B	A	B	A	B
I Dwayi	4	3	-	-	-	-
R Howarth	4	3	-	-	-	-
M Britz	4	4	2	2	4	4
R Bosch	2	2	-	-	-	-
M Lakay	-	-	-	-	-	-
A Hector	4	4	2	2	4	4
A Johnson	4	4	-	-	-	-
ML Harry	-	-	-	-	-	-
S Nojekwa	2	2	-	-	-	-
G Nortje#	4	4	2	2	4	4
S Muller	1	1	1	1	1	1
L Ngcauzele	4	1	-	-	-	-
T Van Der Westhuizen#	-	-	2	-	4	1
A Sprague*	4	4	2	2	4	4

A – Total possible number of meetings could have attended

B – Actual number of meetings attended

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

\* – By invitation in her capacity as Principal Officer

**14. OPERATIONAL STATISTICS FOR 2018**

	Standard	Primary	Total
Average number of members for the accounting period	838	923	1 761
Number of members at the end of the accounting period	809	942	1 751
Average number of beneficiaries for the accounting period	1 840	2 208	4 048
Number of beneficiaries at the end of the accounting period	1 799	2 248	4 047
Average age of beneficiaries for the accounting period	26.9	26.8	26.9
Number of members joining the Scheme	165	187	352
Number of members leaving the Scheme	167	132	299
Dependant ratio	1.2	1.4	1.3
Pensioner ratio	0.44	0.09	0.25
Average contributions per member per month (R)	1 228.8	592.9	895.5
Average contributions per beneficiary per month (R)	559.6	247.8	389.6
Average relevant healthcare expenditure per member per month (R)	1 093.6	427.2	744.3
Average relevant healthcare expenditure per beneficiary per month (R)	498.1	178.6	323.8
Average administration expense per member per month (R)	134.1	134.6	134.4
Average administration expense per beneficiary per month (R)	61.1	56.3	58.5
Average accumulated funds per member at 31 December (R)	N/A	N/A	8 313
Relevant healthcare expenditure as a percentage of contributions	89.0%	72.1%	83.1%
Non-healthcare expenses as a percentage of contributions	10.9%	22.7%	15.0%

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

**14. OPERATIONAL STATISTICS FOR 2018 (CONTINUED)**

	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
Amount paid to Administrator (R)	845 588	931 358	1 776 945
Return on investments as percentage of investments	N/A	N/A	6.93%

**15. OPERATIONAL STATISTICS FOR 2017**

	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
Average number of members for the accounting period	839	913	1 752
Number of members at the end of the accounting period	832	917	1 749
Average number of beneficiaries for the accounting period	1 846	2 028	3 874
Number of beneficiaries at the end of the accounting period	1 826	2 196	4 022
Average age of beneficiaries for the accounting period	27.2	26.4	26.7
Number of members joining the Scheme	265	196	461
Number of members leaving the Scheme	113	134	247
Dependant ratio	1.2	1.4	1.3
Pensioner ratio	0.44	0.09	0.25
Average contributions per member per month (R)	1 150.2	557.4	841.3
Average contributions per beneficiary per month (R)	522.8	251.0	380.5
Average relevant healthcare expenditure per member per month (R)	995.2	366.0	667.3
Average relevant healthcare expenditure per beneficiary per month (R)	452.3	164.8	301.8
Average administration expense per member per month (R)	121.3	121.1	121.2
Average administration expense per beneficiary per month (R)	55.1	54.5	54.8
Average accumulated funds per member at 31 December (R)	N/A	N/A	7 660
Relevant healthcare expenditure as a percentage of contributions	86.5%	65.6%	79.3%
Non-healthcare expenses as a percentage of contributions	10.5%	21.7%	14.4%
Amount paid to Administrator (R)	795 664	865 842	1 661 505
Return on investments as percentage of investments	N/A	N/A	6.78%

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

**Report on the financial statements**

*Opinion*

We have audited the financial statements of Fishing Industry Medical Scheme (the Scheme), set out on pages 17 to 51, which comprise the statement of financial position as at 31 December 2018, 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, these financial statements present fairly, in all material respects, the financial position of the Scheme as at 31 December 2018 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 (ISAs). 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.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Outstanding risk claims provision</b></p> <p>The outstanding risk claims provision of R583 717 at year-end, as described in note 6 to the financial statements, is a provision recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Scheme after year-end.</p> <p>The outstanding risk claims provision is calculated by the Scheme's actuaries, which is reviewed by the Audit Committee and recommended to the Board of Trustees for approval.</p> <p>The Scheme's actuaries use an actuarial model, based on the Scheme's actual claim development patterns throughout the year, to project the year-end provision. This model applies the Basic Chain Ladder (BCL) method. The claim service date, processing date and amount are used to derive claim development patterns. These historical patterns are then used to estimate the outstanding claims provision.</p>	<p>We obtained an understanding from the Scheme's actuaries regarding the process to calculate the outstanding risk claims provision. The actuarial model applied by the Scheme is one that is generally applied within the medical scheme industry.</p> <p>We obtained the actual claims data from the member administration system covering the year ended 31 December 2018.</p> <p>For a sample of actual claims received by the Scheme in the 2018 financial year, we tested the accuracy of the service and process dates. No material inconsistencies were noted.</p> <p>We substantively tested a sample of claims against the relevant Scheme rules and assessed completeness of the claims data.</p>

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

**Report on the financial statements (continued)**

*Key audit matters (continued)*

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Outstanding risk claims provision</b></p> <p>We identified this to be a matter of most significance to the audit because of the uncertainty in the projected claims pattern. A change in the projected claims pattern can cause a material change to the amount of the provision.</p>	<p>The claims data that was included in the Scheme's actuarial model was agreed to the above actual claims data with no material inconsistencies noted.</p> <p>To assess the reasonableness of the Scheme actuaries' estimation process, we compared the actual claim results in the current year to the prior year's provision. Based on our assessment, the estimation process was considered reasonable.</p> <p>We have evaluated management's experts by assessing their competence, capability and objectivity and noted no aspects requiring further consideration. We also obtained the outstanding risk claims provision report from the Scheme's actuaries and assessed whether the inputs, assumptions, methodology and findings per the report were consistent with our testing above. Based on the results of our assessment, we accepted the inputs, assumptions, methodology and findings as reasonable.</p> <p>We obtained the actual claims run-off report up to 31 March 2019 from the Scheme's management. For a sample of claims from the report, we tested the occurrence and accuracy of the claims, as well as the accuracy of the related service dates and we identified no material inconsistencies.</p> <p>We enquired from the Scheme's management whether there were delays in processing claims at year-end that could possibly impact the claims run-off pattern subsequent to year-end. Management confirmed that there were no such delays.</p> <p>We obtained the treatment pre-authorisations approved prior to year-end from management and selected a sample to assess if any of the selected claims were excluded from the actual claims run-off report up to 31 March 2019. No material inconsistencies were noted.</p>

*Other information*

The Scheme's Trustees are responsible for the other information. The other information comprises the information included in the Fishing Industry Medical Scheme's annual financial statements for the year ended 31 December 2018. 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.

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

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**Report on the financial statements (continued)**

*Other information (continued)*

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 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 ISAs 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 ISAs, 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 overriding 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.
- 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.

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

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**Report on the financial statements (continued)**

*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.

*Audit tenure*

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc has been the auditor of Fishing Industry Medical Scheme for one year. The engagement partner, Nicolette Jacobs, has been responsible for Fishing Industry Medical Scheme's audit for one year.

**PricewaterhouseCoopers Inc**

Director: NA Jacobs  
Registered Auditor  
Cape Town

24 April 2019

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF FINANCIAL POSITION  
at 31 December 2018**

	Notes	2018 R	2017 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
		7 739 960	7 383 523
Financial assets at fair value through profit or loss and money market	2	7 739 960	-
Available-for-sale investments	2	-	7 383 523
<b>Current assets</b>			
		8 995 584	8 188 806
Financial assets at fair value through profit or loss and money market	2	2 559 359	2 380 301
Insurance and other receivables	3	1 729 361	2 654 483
Cash and cash equivalents	4	4 706 864	3 154 022
<b>Total assets</b>		<b>16 735 544</b>	<b>15 572 329</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
		14 555 539	13 397 465
Accumulated funds		14 555 539	13 338 311
Revaluation reserve: Available-for-sale investments		-	59 154
<b>Current liabilities</b>			
		2 180 005	2 174 864
Insurance and other payables	5	1 596 288	1 202 846
Outstanding risk claims provision	6	583 717	972 018
<b>Total funds and liabilities</b>		<b>16 735 544</b>	<b>15 572 329</b>

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2018**

	Notes	2018 R	2017 R
<b>Risk contribution income</b>	7	18 923 174	17 687 803
<b>Relevant healthcare expenditure</b>		(15 728 778)	(14 028 793)
Net claims incurred		(12 893 648)	(13 282 659)
Risk claims incurred	8	(12 893 648)	(13 282 659)
Net expense on risk transfer arrangement		(2 835 130)	(746 134)
Premiums paid on risk transfer arrangement	9	(15 828 093)	(14 701 309)
Recoveries from risk transfer arrangement	9	12 893 648	13 282 659
Profit share arising from risk transfer arrangement	9	99 315	672 516
<b>Gross healthcare result</b>		3 194 396	3 659 010
Administration and other expenditure	10	(2 839 524)	(2 563 636)
Net (reversal)/impairment on insurance and other receivables	11	(319)	15 287
<b>Net healthcare result</b>		354 553	1 110 661
<b>Other income</b>			
Investment income	12	709 050	990 396
Realised gain on investment at fair value through profit and loss	12	-	-
Unrealised gain on investment at fair value through profit and loss	12	92 553	-
Sundry income	13	64 079	60 000
Investment management fees	12	(62 161)	(53 785)
<b>Net surplus for the year</b>		1 158 074	2 107 272
<b>Other comprehensive income</b>			
Unrealised loss on available-for-sale investments		-	(1 874)
<b>Total comprehensive income for the year</b>		<b>1 158 074</b>	<b>2 105 398</b>

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF CHANGES IN FUNDS AND RESERVES  
for the year ended 31 December 2018**

	<b>Revaluation reserve</b>	<b>Accumulated funds</b>	<b>Total members' funds</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Opening balance for the year ended 31 December 2017</b>	61 028	11 231 039	11 292 067
Unrealised gain on available-for-sale investments at fair value through other comprehensive income	(1 874)		(1 874)
Net surplus for the year		2 107 272	2 107 272
<b>Closing balance for the year ended 31 December 2017</b>	<b>59 154</b>	<b>13 338 311</b>	<b>13 397 465</b>
Effect of IFRS 9 reclassification of the revaluation reserve	(59 154)	59 154	-
<b>Opening balance for the year ended 31 December 2018 after IFRS 9 reclassification</b>	<b>-</b>	<b>13 397 465</b>	<b>13 397 465</b>
Total comprehensive income for the year	-	1 158 074	1 158 074
<b>Closing balance for the year ended 31 December 2018</b>	<b>-</b>	<b>14 555 539</b>	<b>14 555 539</b>

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF CASH FLOWS  
for the year ended 31 December 2018**

	Notes	2018 R	Restated 2017 R
<b>Cash flows from operating activities</b>			
Cash flows generated from operations before working capital changes	17	61 042	1 857 933
Working capital changes		1 319 003	(1 608 018)
- Decrease/(increase) in insurance and other receivables		925 561	(1 161 536)
- Increase/(decrease) in insurance and other payables		393 442	(446 482)
Cash flows after working capital changes		1 380 045	249 915
Interest received		199 929	260 182
<b>Net cash flows from operating activities</b>		1 579 974	510 097
<b>Cash flows (utilised)/generated in investing activities</b>		(27 132)	412 240
Reinvestment of investment income		(535 495)	(366 836)
Interest received		508 363	779 076
<b>Net increase in cash and cash equivalents</b>		1 552 842	922 337
Cash and cash equivalents at the beginning of the year		3 154 022	2 231 685
<b>Cash and cash equivalents at the end of the year</b>	4	4 706 864	3 154 022

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018**

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**1. PRINCIPAL ACCOUNTING POLICIES**

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

***Statement of compliance***

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and 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 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 19.

**1.2 Financial instruments**

**New standards, amendments and interpretations effective in 2018 and relevant to the Scheme:**

The Scheme has retrospectively applied IFRS 9 as from 1 January 2018, with adjustments being reflected in the opening balances on the statement of changes in funds and reserves. The transitional approach was applied, whereby the comparative financial results were not restated. Therefore up until 31 December 2017, the financial results were presented in accordance with IAS 39, whereas from 1 January 2018 forward, the classification and disclosures will be reported in accordance with IFRS 9. The IFRS 9 accounting policies were applied to 2018 transactions and balances.

Refer to note 24 for the impact of the change due to the implementation of IFRS 9.

**Adoption of International Financial Reporting Standard 15 (IFRS 15) – revenue from customer**

The Scheme considered the impact of IFRS 15 and concluded as follows: The Scheme's inflows are mainly contribution income and investment income. The contribution income is accounted for under IFRS 4 and will later be accounted for under the new IFRS 17 – insurance contracts when effective January 2021. The investment income is accounted for under IFRS 9. These inflows are therefore excluded from the scope of IFRS 15 due to the fact that the other standards that are specific to these inflows take precedent over IFRS 15; IFRS 15 has therefore had no material impact on the Scheme's financial statements

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018 (continued)**

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

**1.2 Financial instruments (continued)**

**Adoption of International Financial Reporting Standard 15 (IFRS 15) – revenue from customer (continued)**

**(a) The following standards, amendments to standards, improvements and interpretations are relevant and effective for the Fund:**

<b>Effective date</b>	<b>Standard, amendment, improvement or interpretation</b>	<b>Summary of requirements</b>
Effective for financial year-end beginning on or after 1 January 2018	IFRS 9 financial instruments	On 24 July 2014 the IASB issued the final IFRS 9 financial instruments standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 financial instruments: recognition and measurement. This standard will have an impact on the Scheme, which will include changes in the measurement bases of the Scheme's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an incurred-loss model in IAS 39 to an expected credit-loss model. The standard will be applied for annual periods beginning on or after 1 January 2018 with retrospective application. The IASB has also amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.
Effective for annual periods beginning on or after 1 January 2018	IFRS 15 – revenue from contracts with customers	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross-versus-net-revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

**Accounting policies applied up until 31 December 2017**

**Until 31 December 2017 the Scheme classified its financial assets in the following categories:**

- Financial assets at fair value through profit or loss;
- Insurance and other receivables;
- Held-to-maturity investments; and
- Available-for-sale investments.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

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

**1.2 Financial instruments (continued)**

**Available-for-sale investments revaluation reserve**

The Scheme retrospectively adopted IFRS 9 on 1 January 2018 with adjustments to the Scheme's opening 1 January 2018 Available-for-sale investments revaluation reserves. Based on the transitional approach adopted, as permitted by IFRS 9, comparative financial results were not restated. Accordingly, the Scheme's previously reported financial results up to 31 December 2017 are presented in accordance with the requirements of IAS 39 and for 2018, and future reporting periods, are presented in terms of IFRS 9. The impact of this is that 2017 classification and disclosures are under IAS 39, and 2018 are under IFRS 9. The IFRS 9 accounting policies therefore apply to 2018 transactions, with the comparatives under IAS 39.

**Available-for-sale investments**

Available-for-sale investments include equity investments. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through the statement of comprehensive income. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrecognised gains or losses recognised as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income, or if the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale reserve to statement of comprehensive income.

Units in collective investment schemes are valued based on year end quoted repurchase prices.

**From 1 January, the Scheme classifies its financial assets in the following measurement categories:**

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Scheme's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Scheme has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

**Financial instruments**

The Scheme has grouped the financial instruments in the following categories:

- insurance and other receivables;
- cash and cash equivalents;
- insurance and financial liabilities; and
- financial assets at fair value through profit or loss.

The classification depends on the purpose for which the financial instruments are acquired. Management determines the classification of financial instruments at initial recognition. All purchases and sales of financial instruments are recognised on the trade date, which is the date on which the Scheme commits to purchase the financial asset or assume financial liability. All financial assets are recognised initially at fair value plus directly attributable transaction costs.

**Financial assets**

**Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Scheme commits to purchase or sell the asset.

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

**1.2 Financial instruments (continued)**

**Financial assets (continued)**

Recognition and derecognition (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Scheme has transferred substantially all the risks and rewards of ownership.

The Scheme previously classified its financial assets as available-for-sale investments. The changes introduced by the new IFRS 9 standard had an impact on the Scheme as the current business model suggests a re-classification of financial assets. With effective from 1 January 2018, the Scheme has applied the new standard and now categorise its investments as fair value through profit or loss.

**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.

**Financial liabilities**

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

**Offset**

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

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

**1.5 Insurance contracts (continued)**

*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 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.

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. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

### **1.9 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.

### **1.10 Impairment losses**

#### ***Impairment of financial assets***

Impairments of financial assets are recognised through the statement of comprehensive income in the year in which the impairment arose. Where financial assets are classified as held at fair value through profit and loss, any impairment will form part of the fair-value adjustment recognised in the statement of comprehensive income.

#### ***Expected credit losses***

The Scheme recognises a loss allowance for expected credit losses on:

- debt investments measured subsequently at amortised cost or at fair value through other comprehensive income; and
- trade receivables and contract assets.

The Scheme measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Scheme is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

#### ***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***

Trade and other receivables originated by the Scheme are stated at amortised cost less an appropriate allowance for estimated irrecoverable amounts. This is recognised through the statement of comprehensive income when there is objective evidence that the asset is impaired.

#### ***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.

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

### **1.11 Unclaimed benefits**

Unclaimed benefits are written back to profit and loss after a period of three years.

### **1.12 Reimbursements from the Road Accident Fund (RAF)**

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

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

### **1.13 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.

### **1.14 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;
- administration fees; and
- investment income.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018 (continued)**

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

**1.15 Standards and interpretations**

The following standards, amendments to standards, improvements and interpretations are relevant, but not effective for the Scheme:

Effective date	Standard, amendment, improvement or interpretation	Summary of requirements
Effective for annual periods beginning on or after 1 January 2022	Amendment to IFRS 17 – insurance contracts	IFRS 17 will impact the measurement of the contracts with members in the scheme's financial statements. The Scheme will qualify for the premium allocation approach, which requires the Scheme to recognise a liability for remaining coverage (with reference to the premiums received) and liability for incurred claims (calculated as the expected cash outflows and a risk adjustment). The Scheme expects that the boundary of the contracts with members will be one year. The Scheme will be required to assess for onerous contracts at the point members elect the benefit option for the following year.

	2018 R	2017 R
<b>2. FINANCIAL ASSETS</b>		
<b>Non-current assets</b>		
Fair value at the beginning of the year	7 383 523	6 794 250
Effect of reclassification of available-for-sale investments through other comprehensive income to financial assets and fair value through profit and loss	(7 383 523)	
Reinvestment of investment income		591 147
Unrealised loss on available-for-sale investment		(1 874)
Fair value at the end of the year	<u>-</u>	<u>7 383 523</u>
<b>Financial assets at fair value through profit and loss</b>		
Fair value at the beginning of the year	-	-
Effect of reclassification of available-for-sale investments through other comprehensive income to financial assets and fair value through profit and loss	7 383 523	-
Reinvestment of investment income	263 884	-
Unrealised gain on financial assets at fair value through profit and loss	92 553	-
	<u>7 739 960</u>	<u>-</u>
The investments included above represent investments managed by:		
Sanlam – pooled portfolio	3 580 672	3 511 232
Nedbank – money market	2 092 084	1 947 930
Investec – money market	2 067 204	1 924 362
	<u>7 739 960</u>	<u>7 383 523</u>

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018 (continued)**

	2018 R	2017 R
<b>2. FINANCIAL ASSETS (CONTINUED)</b>		
<b>Financial assets at fair value through profit and loss (continued)</b>		
Financial assets in a policy of insurance are invested in:		
- Bonds, bills and securities	465 802	629 246
- Money-market instruments	5 948 342	5 471 193
- Shares, debentures and unit trust	1 325 816	1 283 084
	<u>7 739 960</u>	<u>7 383 523</u>
A register of investments is available for inspection at the registered office of the Scheme.		
<b>Current assets</b>		
Fair value at the beginning of the year	2 380 301	2 207 641
Effect of reclassification of available-for-sale investments through other comprehensive income to financial assets and fair value through profit and loss	(2 380 301)	-
Reinvestment of investment income	-	172 660
Disposals	-	-
Unrealised loss on available-for-sale investment	-	-
Fair value at the end of the year	<u>-</u>	<u>2 380 301</u>
<b>Financial assets at fair value through profit and loss</b>		
Fair value at the beginning of the year	-	-
Effect of reclassification of available-for-sale investments through other comprehensive income to financial assets and fair value through profit and loss	2 380 301	-
Reinvestment of investment income	179 058	-
Unrealised gain on financial assets at fair value through profit and loss	-	-
	<u>2 559 359</u>	<u>-</u>
The investment included above is a money-market fund managed by Momentum Investment Managers.		
Financial assets in a policy of insurance are invested in:		
- Bonds, bills and securities		
- Money-market instruments	2 559 359	2 380 301
- Shares, debentures and unit trust		
	<u>2 559 359</u>	<u>2 380 301</u>

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	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>3. INSURANCE AND OTHER RECEIVABLES</b>		
<b>Insurance receivables</b>		
Contributions outstanding	1 087 414	1 064 270
Less: Accumulated impairment losses	(3 959)	(3 640)
- Carrying amount at the beginning of the year	(3 640)	(18 927)
- Impairment losses reversed/(incurred) during the year	(319)	15 287
	<u>1 083 455</u>	<u>1 060 630</u>
Add: Risk transfer arrangement		
- Share of outstanding claims provision (note 6)	583 717	972 018
- Profit share receivable	-	565 405
	<u>1 667 172</u>	<u>2 598 053</u>
<b>Other receivables</b>		
Sundry accounts receivable	17 500	12 500
Accrued interest	44 689	43 930
	<u>1 729 361</u>	<u>2 654 483</u>

**Analysis of movements in respect of risk transfer arrangement**

Balance at the beginning of the year	972 018	215 674
Payments received in respect of prior year	(972 018)	(215 674)
Under provision in prior year	-	-
Adjustments for current year	583 717	972 018
Balance at the end of the year	<u>583 717</u>	<u>972 018</u>

The carrying amounts of insurance and other receivables approximate their fair values due to the short-term nature of these assets. The move to an ECL model did not have a material impact on the fund.

**4. CASH AND CASH EQUIVALENTS**

Call accounts	4 094 148	1 781 204
Current accounts	612 716	1 372 818
	<u>4 706 864</u>	<u>3 154 022</u>

The weighted average effective interest rate on call accounts was 6.35% (2017: 6.25%) and for the current account it was 4.85% (2017: 4.85%).

**5. INSURANCE AND OTHER PAYABLES**

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>Insurance payables</b>	1 332 891	979 680
Contributions received in advance	28 132	50 109
Risk transfer arrangement premium	1 304 759	929 061
Stale cheques	-	510

**FISHING INDUSTRY MEDICAL SCHEME  
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	2018 R	2017 R
<b>5. INSURANCE AND OTHER PAYABLES (CONTINUED)</b>		
<b>Other payables</b>	263 397	223 166
Accrued expenses	37 522	51 609
Audit fee accrual	225 875	171 557
	1 596 288	1 202 846

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

**6. OUTSTANDING RISK CLAIMS PROVISION**

	<b>Covered by risk transfer arrangement R</b>
<b>2018</b>	
Provision for outstanding risk claims	583 717
<i>Analysis of movements in outstanding risk claims provision</i>	
Balance at the beginning of the year	972 018
Payments in respect of the prior year	(972 018)
Over provision in respect of the prior year	-
Adjustment for the current year	583 717
Balance at end of the year	583 717
Total outstanding risk claims provision	583 717
<b>2017</b>	
Provision for outstanding risk claims	972 018
<i>Analysis of movements in outstanding risk claims provision</i>	
Balance at the beginning of the year	215 674
Payments in respect of the prior year	(215 674)
Over provision in respect of the prior year	-
Adjustment for the current year	972 018
Balance at end of the year	972 018
Total outstanding risk claims provision	972 018

***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.

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

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

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

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

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

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

**Assumptions**

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

- for each month of delay since the service month, the total claims for that month is a constant proportion of total claims for the service month;
- all claims are assumed to be fully run-off within four months from the service date;
- a weighted average of historic claims inflation is assumed to occur in the future;
- claims are assumed to have reporting and settlement patterns that remain relatively stable over time;
- any distortions as a result of once-off events are isolated from the claims data set; and
- the time value of money is ignored in calculating the outstanding claims provision.

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

The 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.

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>7. RISK CONTRIBUTION INCOME</b>		
Contributions	18 923 174	17 687 803

**FISHING INDUSTRY MEDICAL SCHEME  
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	2018 R	2017 R
<b>8. NET CLAIMS INCURRED</b>		
<b>Claims incurred in respect of risk transfer arrangement</b>		
Current year claims	12 309 931	12 310 641
Outstanding claims provision (note 6)	583 717	972 018
- Adjustment for current year	583 717	972 018
- Prior year under provision	-	-
	12 893 648	13 282 659
<b>Net claims incurred</b>	12 893 648	13 282 659

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. NET EXPENSE ON RISK TRANSFER ARRANGEMENT**

Premiums paid on risk transfer arrangement – MMI Health	(15 828 093)	(14 701 309)
Less:		
Recoveries from risk transfer arrangement – MMI Health	12 893 648	13 282 659
Profit share from risk transfer arrangement – MMI Health	99 315	672 516
<b>Net expense on risk transfer arrangement</b>	(2 835 130)	(746 134)

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 2018 and 2017 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 in per the 2017 agreement. The profit share paid in 2018 relates to the 2017 financial year. There is no profit-share agreement in place for 2018.

**10. ADMINISTRATION AND OTHER EXPENDITURE**

Administrator's fees	1 776 945	1 661 505
Actuarial fees	95 209	86 070
Audit fees	232 674	176 426
Bank charges	21 330	25 806
Fidelity insurance	13 500	13 500
Legal fees	7 200	-
Levies: Council for Medical Schemes	63 191	57 885
Membership fees	21 858	20 313
Other expenses	5 151	6 998
Principal Officer remuneration	234 389	217 290
Printing, postage and communication	171 039	122 820
Rule registration costs	4 510	990
Staff costs	160 355	150 277
Telephone	21 264	18 045

**FISHING INDUSTRY MEDICAL SCHEME  
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	2018 R	2017 R
<b>10. ADMINISTRATION AND OTHER EXPENDITURE (CONTINUED)</b>		
Travel and entertainment	6 409	5 711
Trustee honorarium	4 500	-
	2 839 524	2 563 636
<b>11. NET IMPAIRMENT ON INSURANCE AND OTHER RECEIVABLES</b>		
<b>Insurance and other receivables</b>		
Members' and service providers' portions that are not recoverable	(319)	15 287
Movement in accumulated impairments	(319)	15 287
Written off during the year	-	-
	(319)	15 287
<b>12. INVESTMENT INCOME</b>		
Financial asset interest income	-	291 928
Cash and cash equivalents interest income	709 050	659 088
Realised gain on investment	-	39 380
Unrealised gain on investment	92 553	-
	801 603	990 396
Investment management fees	(62 161)	(53 785)
	739 442	936 611
<b>13. SUNDRY INCOME</b>		
Prescribed credit balances written back		
Costs recovered from the sick fund	60 000	60 000
Stale cheques written back	4 079	-
	64 079	60 000
<b>14. RELATED-PARTY DISCLOSURES</b>		
<b>Parties with significant influence over the Scheme</b>		
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 (Pty) Ltd provides administration services.		
Managed care organisation, MMI Health (Pty) Ltd, has significant influence over the Scheme as managed care and capitation provider, but does not control the Scheme.		
NMG Consultants and Actuaries (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  
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**14. RELATED-PARTY DISCLOSURES (CONTINUED)**

**Key management personnel and their close family members**

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

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

**Transactions and balances with key management personnel and their family members**

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

**Statement of comprehensive income**

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>Compensation</b>		
Short-term employment benefits	234 389	217 290
<b>Contributions and claims</b>		
Risk contributions received – Principal Officer and Trustees	91 080	56 634
Claims incurred – Principal Officer and Trustees	24 154	26 210
Travel expenses – Principal Officer	6 409	-

**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 2018.

**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**

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>Statement of comprehensive income</b>		
Administration fees – MMI Health (Pty) Ltd	1 776 945	1 661 505
Risk transfer premiums – MMI Health (Pty) Ltd	15 828 093	14 701 309
Recoveries on risk transfer arrangement – MMI Health (Pty) Ltd	12 893 648	13 282 659
Profit share on risk transfer arrangement – MMI Health (Pty) Ltd	99 315	672 516
Actuarial fees – NMG Consultants and Actuaries (Pty) Ltd	95 209	86 070

**FISHING INDUSTRY MEDICAL SCHEME  
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**14. RELATED-PARTY DISCLOSURES (CONTINUED)**

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

	2018 R	2017 R
<b>Statement of financial position</b>		
Risk transfer arrangement recoveries receivable – MMI Health (Pty) Ltd	583 717	972 018
Risk transfer premium fees due – MMI Health (Pty) Ltd	(1 304 759)	(929 061)
Postage due – MMI Health (Pty) Ltd	19 765	-
Accrued profit share on risk transfer arrangement – MMI Health (Pty) Ltd	-	565 405

**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 2018. The risk transfer premiums are charged on a per member and dependant basis.

**15. GUARANTEES AND COMMITMENTS**

The Scheme has not provided any guarantees or commitments.

**16. SURPLUS FROM OPERATIONS PER BENEFIT OPTION**

	Standard	Primary	Total
	R	R	R
<b>2018</b>			
<b>Risk contribution income</b>	12 356 490	6 566 684	18 923 174
<b>Relevant healthcare expenditure</b>	(10 997 479)	(4 731 299)	(15 728 778)
Net claims incurred	(8 703 799)	(4 189 849)	(12 893 648)
Risk claims incurred	(8 703 799)	(4 189 849)	(12 893 648)
Net expense on risk transfer arrangement	(2 293 680)	(541 450)	(2 835 130)
Premiums paid on risk transfer arrangement	(11 045 411)	(4 782 682)	(15 828 093)
Recoveries from risk transfer arrangement	8 703 799	4 189 849	12 893 648
Profit share from risk transfer arrangement	47 932	51 383	99 315
<b>Gross healthcare result</b>	1 359 011	1 835 385	3 194 396
Administration and other expenditure	(1 348 623)	(1 490 901)	(2 839 524)
Net impairment on insurance and other receivables	(182)	(137)	(319)
<b>Net healthcare result</b>	10 206	344 347	354 553

**FISHING INDUSTRY MEDICAL SCHEME  
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**16. SURPLUS FROM OPERATIONS PER BENEFIT OPTION (CONTINUED)**

	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>2018 (continued)</b>			
<b>Other income</b>			
Investment income	379 849	421 755	801 604
Sundry income	30 522	33 556	64 078
Management fees	(29 576)	(32 585)	(62 161)
<b>Net surplus for the year</b>	<b>391 001</b>	<b>767 073</b>	<b>1 158 074</b>
<b>2017</b>			
<b>Risk contribution income</b>	11 580 439	6 107 364	17 687 803
<b>Relevant healthcare expenditure</b>	(10 019 380)	(4 009 413)	(14 028 793)
Net claims incurred	(9 286 089)	(3 996 570)	(13 282 659)
Risk claims incurred	(9 286 089)	(3 996 570)	(13 282 659)
Net expense on risk transfer arrangement	(733 291)	(12 843)	(746 134)
Premiums paid on risk transfer arrangement	(10 340 043)	(4 361 266)	(14 701 309)
Recoveries from risk transfer arrangement	9 286 089	3 996 570	13 282 659
Profit share	320 663	351 853	672 516
<b>Gross healthcare result</b>	1 561 059	2 097 951	3 659 010
Administration and other expenditure	(1 228 516)	(1 335 120)	(2 563 636)
Net impairment on insurance and other receivables	7 113	8 174	15 287
<b>Net healthcare result</b>	<b>339 656</b>	<b>771 005</b>	<b>1 110 661</b>
<b>Other income</b>			
Investment income	474 742	515 654	990 396
Sundry income	28 739	31 261	60 000
Management fees	(25 764)	(28 021)	(53 785)
<b>Net surplus for the year</b>	<b>817 373</b>	<b>1 289 899</b>	<b>2 107 272</b>

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

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
Net surplus for the year	1 158 074	2 107 272
Adjustments for:		
- (Increase)/decrease in outstanding claims provision	(388 301)	756 344
- Interest income	(709 050)	(990 396)
- Impairment on insurance and other receivables	319	(15 287)
Cash flows generated by operations before working capital changes	61 042	1 857 933

**18. 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 MMI Health (Pty) Ltd for all benefits provided by the Scheme. The capitation agreement is in-substance, the same as a non-proportional reinsurance treaty.

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

**Frequency and severity of claims**

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

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

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

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

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

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

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

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

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

**Concentration of insurance risk**

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

**2018**

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
<24	997	761	1 758
25 – 34	333	389	722
35 – 49	723	453	1 176
50 – 64	193	188	381
>65	2	8	10
Total	2 248	1 799	4 047

**2017**

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
<24	994	768	1 762
25 – 34	333	393	726
35 – 49	697	462	1 159
50 – 64	170	195	365
>65	2	8	10
Total	2 196	1 826	4 022

**FISHING INDUSTRY MEDICAL SCHEME  
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**18. 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.

**2018**

Age grouping (in years)	General practitioners (R)	Specialists (R)	Dentistry (R)	Medicines (R)	Hospital (R)	Optical (R)	Total (R)
<26	-	-	-	-	-	-	-
26 – 35	-	-	-	-	-	-	-
36 – 50	-	-	-	-	-	-	-
51 – 65	-	-	-	-	-	-	-
>65	-	-	-	-	-	-	-
MMI Health Movement in IBNR provision	5 335 510	917 474	818 438	542 134	3 696 127	1 000 249	12 309 931
	253 001	43 505	38 809	25 707	175 264	47 430	583 717
Total	5 588 511	960 979	857 247	567 841	3 871 391	1 047 679	12 893 648

**2017**

Age grouping (in years)	General practitioners (R)	Specialists (R)	Dentistry (R)	Medicines (R)	Hospital (R)	Optical (R)	Total (R)
<26	-	-	-	-	-	-	-
26 – 35	-	-	-	-	-	-	-
36 – 50	-	-	-	-	-	-	-
51 – 65	-	-	-	-	-	-	-
>65	-	-	-	-	-	-	-
MMI Health Movement in IBNR provision	5 123 033	916 059	714 313	503 680	4 183 485	870 071	12 310 641
	404 502	72 330	56 400	39 769	330 318	68 699	972 018
Total	5 527 535	988 388	770 713	543 450	4 513 803	938 770	13 282 659

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  
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**18. 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.

**19. 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.

**20. FINANCIAL RISK MANAGEMENT**

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

	<b>Loans and other receivables (R)</b>	<b>Financial asset (R)</b>	<b>Financial liabilities measured at amortised cost (R)</b>	<b>Insurance receivables and payables (R)</b>
<b>2018</b>				
Investments	-	10 299 319	-	-
Cash and cash equivalents	4 706 864	-	-	-
Insurance and other receivables				
- <i>Insurance receivables</i>	-	-	-	1 667 172
- <i>Other receivables</i>	62 189	-	-	-
Insurance and other payables				
- <i>Insurance payables</i>	-	-	-	1 332 891
- <i>Other payables</i>	-	-	263 397	-
Outstanding claims provision	-	-	-	-
	<b>4 769 053</b>	<b>10 299 319</b>	<b>263 397</b>	<b>3 000 063</b>

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018 (continued)**

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

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

	<b>Loans and other receivables (R)</b>	<b>Financial asset (R)</b>	<b>Financial liabilities measured at amortised cost (R)</b>	<b>Insurance receivables and payables (R)</b>
<b>2017</b>				
Investments	-	9 763 824	-	-
Cash and cash equivalents	3 154 022	-	-	-
Insurance and other receivables				
- <i>Insurance receivables</i>	-	-	-	2 598 053
- <i>Other receivables</i>	56 430	-	-	-
Insurance and other payables				
- <i>Insurance payables</i>	-	-	-	979 680
- <i>Other payables</i>	-	-	223 166	-
Outstanding claims provision	-	-	-	-
	<b>3 210 451</b>	<b>9 763 824</b>	<b>223 166</b>	<b>3 577 733</b>

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 43.4% (2017: 35.5%) 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:

	<b>Up to 1 month</b>	<b>2 to 3 months</b>	<b>4 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2018</b>					
Outstanding claims provision	438 422	145 295	-	-	583 717
Insurance payables					
- Contributions received in advance	28 132	-	-	-	28 132
- Risk transfer arrangement premiums due	1 304 759	-	-	-	1 304 759
Other payables	37 522	132 825	93 050	-	263 397
<b>Total liabilities</b>	<b>1 808 835</b>	<b>278 120</b>	<b>93 050</b>	<b>-</b>	<b>2 180 005</b>
Cash and cash equivalents	-	-	-	-	4 706 864
<b>Excess liquidity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 526 858</b>

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

**Liquidity risk (continued)**

	Up to 1 month	2 to 3 months	4 to 12 months	Over 1 year	Total
	R	R	R	R	R
<b>2017</b>					
Outstanding claims provision	373 832	598 186	-	-	972 018
Insurance payables					
- Contributions received in advance	50 109	-	-	-	50 109
- Risk transfer arrangement premiums due	929 061	-	-	-	929 061
- Stale cheques	-	-	-	510	510
Other payables	51 609	171 557	-	-	223 166
<b>Total liabilities</b>	<b>1 404 611</b>	<b>769 743</b>	<b>-</b>	<b>510</b>	<b>2 174 864</b>
Cash and cash equivalents	-	-	-	-	3 154 022
<b>Excess liquidity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>979 158</b>

**Credit risk**

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

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

Financial institution	2018 R	2017 R	Credit rating – Moody's deposit ratings	
			2018	2017
Standard Bank of South Africa Ltd	4 706 864	3 154 022	Baa3	Baa3

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

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

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

**Credit risk (continued)**

	<b>Neither past due, nor impaired</b>	<b>Past due, not impaired</b>	<b>Impaired</b>	<b>Total carrying amount</b>
<b>2018</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Insurance and other receivables	1 723 572	5 789	-	1 729 361
Insurance receivables	1 661 383	5 789	3 959	1 671 131
- Contributions outstanding	1 077 666	5 789	3 959	1 087 414
- Accounts recoverable from members and providers	-	-	-	-
- Outstanding claims provision on risk transfer arrangement	583 717	-	-	583 717
- Accumulated impairment losses	-	-	(3 959)	(3 959)
- Profit share receivable	-	-	-	-
- Other receivables	62 189	-	-	62 189
Cash and cash equivalents	4 706 864	-	-	4 706 864
<b>Total</b>	<b>6 430 436</b>	<b>5 789</b>	<b>-</b>	<b>6 436 225</b>

**2017**

Insurance and other receivables	2 629 754	24 730	-	2 654 483
- Insurance receivables	2 007 919	24 730	3 640	2 036 288
- Contributions outstanding	1 035 901	24 730	3 640	1 064 270
- Accounts recoverable from members and providers	-	-	-	-
- Outstanding claims provision on risk transfer arrangement	972 018	-	-	972 018
- Accumulated impairment losses	-	-	(3 640)	(3 640)
- Profit share receivable	565 405	-	-	565 405
- Other receivables	56 430	-	-	56 430
Cash and cash equivalents	3 154 022	-	-	3 154 022
<b>Total</b>	<b>12 036 368</b>	<b>24 730</b>	<b>-</b>	<b>5 808 504</b>

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018 (continued)**

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

**Credit risk (continued)**

Age analysis of past due amounts:

2018	30 days	60 days	90 days	Total
	R	R	R	R
- Contributions outstanding	5 010	305	474	5 789
- Accounts recoverable from members and providers	-	-	-	-
<b>Past due total</b>	<b>5 010</b>	<b>305</b>	<b>474</b>	<b>5 789</b>

2017	30 days	60 days	90 days	Total
	R	R	R	R
- Contributions outstanding	13 966	8 297	2 467	24 730
- Accounts recoverable from members and providers	-	-	-	-
<b>Past due total</b>	<b>15 887</b>	<b>6 045</b>	<b>2 132</b>	<b>24 064</b>

**Market risk**

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

**Currency risk**

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

**Equity risk**

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

**Fair value estimation**

The fair value of the financial asset 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 2018	Level 1	Level 2	Level 3	Reclassification
	R	R	R	R
Financial assets through profit and loss	-	-	-	-
Collective investment schemes	3 580 672	-	-	-
Money market	6 718 648	-	-	-
<b>Total</b>	<b>10 299 320</b>	<b>-</b>	<b>-</b>	<b>-</b>

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018 (continued)**

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

**Fair value estimation (continued)**

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

<b>As at 31 December 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Reclassification</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Available-for-sale financial assets	-	-	-	-
Collective investment schemes	3 511 232	-	-	-
Money market	6 252 592	-	-	-
Total	9 763 824	-	-	-

The hierarchy levels are defined as follows:

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

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

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

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

**Unconsolidated investment structures**

The asset managers invest the Scheme's monies in reputable 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.

<b>Fund</b>	<b>As at 31 December 2018</b>		<b>As at 31 December 2017</b>	
	<b>Fair value (R)</b>	<b>% exposure in terms of Regulation 30</b>	<b>Fair value (R)</b>	<b>% exposure in terms of Regulation 30</b>
Sanlam Absolute Return	3 580 672	23.86%	3 511 232	27.18%
Investec Money-Market Fund	2 067 205	13.78%	1 924 362	14.90%
Nedgroup Investments Money-Market Fund	2 092 085	13.94%	1 947 931	15.08%
Momentum Money-Market Fund	2 559 359	17.06%	2 380 301	18.43%

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

**Interest rate risk**

The Scheme invests 95.92% of all investments in interest bearing instruments. This exposes the Scheme to fluctuations in the interest rate market.

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

	<i>Up to 1 month</i>	<i>Total</i>
<b>2018</b>	<i>R</i>	<i>R</i>
Financial asset	7 739 960	7 739 960
Cash and cash equivalents	4 706 864	4 706 864
<b>Total</b>	12 446 824	12 446 824

	<i>Up to 1 month</i>	<i>Total</i>
<b>2017</b>	<i>R</i>	<i>R</i>
Financial asset	7 383 523	7 383 523
Cash and cash equivalents	3 154 022	3 154 022
<b>Total</b>	10 537 545	10 537 545

**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 2018 would result in a decrease in members' funds of R150 062 (2017: R129 178).

An increase of 100 basis points in interest yield at 31 December 2018 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 76.12% at 31 December 2018 and 75.41% at 31 December 2017, which compares favourably to the prescribed minimum accumulated funds ratio of 25%.

## **21. NON-COMPLIANCE MATTERS**

### **21.1 Contravention of Section 26(7) of the Medical Schemes Act**

#### *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. This relates to contribution debt outstanding of R9 748 at year-end.

#### *Causes for the non-compliance*

The Medical Schemes Act defines when contributions are due, however, a small percentage of employer groups and/or members pay late. 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.

### **21.2 Contravention of Section 36(10) of the Medical Schemes Act**

#### *Nature and impact*

In terms of Section 36(10) of the Act, the Audit Committee must have a minimum of at least five members of whom the majority shall be independent members. The Audit Committee of the Scheme had a vacancy at year-end that resulted in it being non-compliant 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 for an independent member at year-end.

#### *Corrective action*

The Scheme applied for exemption from Section 36(10) of the Act and received feedback and recommendations from the Council for Medical Schemes. A remuneration policy has been implemented to attract new independent Trustees. A new independent Trustee was appointed after year-end, which makes the Audit Committee structure compliant as at April 2019.

### **21.3 Contravention of Regulation 35(8)(c) of the Medical Schemes Act**

#### *Nature and impact*

In terms of the Medical Schemes Act and specifically Regulation 35(8)(c), a medical scheme shall not invest any of its assets in the business of any administrator. During the year, the Scheme had pooled investments with exposure to medical scheme administrators.

#### *Causes for the failure*

The Scheme's investments in pooled investment vehicles allow investment managers the discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark.

#### *Corrective action*

The Scheme has made application to the Council for Medical Schemes in February 2019 for an exemption from this section of the Medical Schemes Act. The Scheme is awaiting feedback from the Council of Medical Schemes.

**FISHING INDUSTRY MEDICAL SCHEME  
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**21. NON-COMPLIANCE MATTERS (CONTINUED)**

**21.4 Contravention of Regulation 30 and Annexure B to the Regulations of the Medical Schemes Act**

*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 December 2018, the Scheme's exposure to Standard Bank was 39.99%.

*Causes for the failure*

Exposure to Standard Bank in the other investments held, together with good operational performance, caused total exposure to increase over the 35%-limit at 31 December 2018.

*Corrective action*

Funds have been moved from the Standard Bank account in 2019 to rectify the non-compliance.

**22. 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.

**23. 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 76.12%.
- Available cash and investments at the end of the year amounted to R15 006 185.

**24. CHANGE IN ACCOUNTING POLICY**

The Scheme implemented IFRS 9 effective 1 January 2018 and elected not to re-state retrospectively. Comparative information therefore is reflected in accordance with IAS 39. The effect of the implementation is tabled below:

	Measurement category		Carrying amount		
	Original IAS 39	New IFRS 9	Original IAS 39 (R)	New IFRS 9 (R)	Difference (R)
<b>Statement of financial position</b>					
<b>Non-current financial assets</b>					
Investments (refer to note 25)	AFS	FVPL	9 763 824	9 763 824	-
<b>Current financial assets</b>					
Cash and cash equivalents (refer to note 25)	Amortised	Amortised	3 154 022	3 154 022	-
Insurance receivables	Amortised	Amortised	2 598 053	2 598 053	-
Other receivables	Amortised	Amortised	56 430	56 430	-
<b>Current financial liabilities</b>					
Insurance payables	Fair value	Fair value	979 680	979 680	-
Financial liabilities	Fair value	Fair value	223 166	223 166	-
Outstanding risk claims provision	Fair value	Fair value	972 018	972 018	-

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
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**24. CHANGE IN ACCOUNTING POLICY (CONTINUED)**

	Measurement category		Carrying amount		
	Original IAS 39	New IFRS 9	Original IAS 39 (R)	New IFRS 9 (R)	Difference (R)
<b>Statement of comprehensive income</b>					
<b>Impairment losses on receivables</b>					
Insurance receivables	Objective evidence	IFRS 4	3 640	3 640	-
Other receivables	Objective evidence	Expected credit loss	-	-	-
Net loss on investments	Only realised gains and losses	Realised and unrealised gains and losses	(1 874)	-	(1 874)
<b>Net surplus</b>					(1 874)
Revaluation reserve on available-for-sale investments as at 1 January 2017					61 028
<b>IFRS 9 transition adjustment</b>					<b>59 154</b>

*Amortised – amortised cost*

*AFS – available for sale*

*FVPL – fair value through profit or loss*

**25. RESTATEMENT OF CASH AND CASH EQUIVALENTS**

There has been a prior year restatement of cash flow as the investment in the Investec and Nedbank money-market funds have been restated from cash and cash equivalents to financial assets through profit and loss as it does not meet the definition of cash. The table below reflects the changes:

**Statement of financial position**

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>Non-current assets</b>		
Financial assets at fair value through profit and loss	7 739 960	
Available-for-sale investments		7 383 523
<b>Current assets</b>		
Cash and cash equivalents	(7 739 960)	(7 383 523)
<b>Effect on total assets</b>	<b>-</b>	<b>-</b>

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
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**25. RESTATEMENT OF CASH AND CASH EQUIVALENTS (CONTINUED)**

<b>STATEMENT OF CASH FLOWS</b>	<b>Previously reported</b>	<b>Restated values</b>	<b>Difference</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Cash flows from operating activities</b>			
Interest received	708 291	199 929	508 362
<b>Cash flows generated/(utilised) in investing activities</b>			
Reinvestment of investment income	(69 440)	(535 495)	466 055
Interest received	-	779 076	(779 076)
Cash at the beginning of the year	9 406 614	3 154 022	6 252 592
Total cash at the end of the year	11 425 513	4 706 864	6 718 649

