

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



**WILL BE HELD ON THURSDAY, 30 JUNE 2022 AT 10:00 VIA ZOOM VIDEO CONFERENCING\***

\* Details of video conferencing: <https://mmiholdings.zoom.us/j/94881810838?pwd=cXQ4TkVXdTBdVXRWT3AwZ3pRTUJldz09>

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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, 25 June 2021
3. To receive the Chairperson's report and annual financial statements for the year ended 31 December 2021 and adopt the audited annual financial statements for the year ended 31 December 2021
4. To appoint the auditors for the ensuing year
5. Election of four member-elected Trustees
  - i. Nominations must be returned to the Principal Officer by 31 May 2022
  - ii. Announcement of nominations for vacant Trustee positions
  - iii. Voting for new Trustees will take place at the Annual General Meeting via electronic voting
  - iv. Announce and ratify the newly-appointed Trustees
6. To ratify and approve the remuneration policy approved by the Board of Trustees
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: 23 June 2022
8. Close

By order of the Board

**ALIDA SPRAGUE (MS)**  
PRINCIPAL OFFICER

CAPE TOWN  
MAY 2022

**MINUTES OF THE 2021 ANNUAL GENERAL MEETING**

A full set of the minutes of the Annual General Meeting of Fishing Industry Medical Scheme, held on 25 June 2021, is available on request.

**FISHING INDUSTRY MEDICAL SCHEME  
CHAIRPERSON'S REPORT FOR THE FINANCIAL YEAR 2021**

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**2021 results**

Fishmed continued 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 2021. This is reflected in the reserve ratio of 82.52% at 31 December 2021, which continued to exceed the required statutory rate of 25%. While the reserve ratio continues to 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. It should also be noted that the uncertainty of the financial impact of the COVID-19 pandemic remains a continued risk to the Scheme and benefits and contributions have to be carefully considered.

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

The Scheme's annual contribution and benefit 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.

As a result, the benefit limits for 2021 were increased by approximately 4.5% for all options and the Scheme announced an annual contribution increase of 2%, which was in line with the trend in the medical scheme industry.

The Scheme has also seen an increase in membership from 1 786 at the end of December 2020 to 1 824 at the end of December 2021. The average age of beneficiaries (members and dependants) at the end of December 2021 remains at 26.9 and the pensioner ratio at 0.39%.

**Council for Medical Schemes**

Please note that the Scheme received further exemption from the Council for Medical Schemes from offering prescribed minimum benefits until 31 December 2022.

**Word of thanks from the Chairperson**

I would like to express my thanks to:

- my fellow Trustees;
- the Principal Officer and her team for managing the Scheme and its members with such professionalism;
- the Audit and Financial Committee members for their dedication; and
- our Administrator, Momentum Health Solutions, 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.



**MS A HECTOR  
CHAIRPERSON**

MAY 2022

**FISHING INDUSTRY MEDICAL SCHEME  
ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2021**

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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 2021, 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 12 to 15.

**Approval of the annual financial statements**

The financial statements for the year ended 31 December 2021, set out on pages 3 to 45 were approved by the Board of Trustees and are signed on its behalf by:



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**MS A HECTOR**  
CHAIRPERSON



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**MR S DE WET**  
TRUSTEE



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**MS A SPRAGUE**  
PRINCIPAL OFFICER

14 APRIL 2022

**FISHING INDUSTRY MEDICAL SCHEME  
ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2021**

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**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 of Trustees overall focus and efficiency



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**MS A HECTOR**  
CHAIRPERSON



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**MR S DE WET**  
TRUSTEE



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**MS A SPRAGUE**  
PRINCIPAL OFFICER

14 April 2022

## **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 2021.

Registration number: 1271

### **1. MANAGEMENT**

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

##### **Employer Trustees**

F de Andrade	Appointed: 1 September 2021
J Domingo	Appointed: 1 September 2021
I Dwayi (Chairperson)	Term expired: 30 June 2021
S de Wet	
A Hector (Chairperson)	
R Howarth	Resigned: 31 August 2021

##### **Member Trustees**

R Bosch  
A Johnson  
S Nojekwa  
M Shumbainwe

#### **1.2 Principal Officer**

##### **Ms A Sprague**

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

#### **1.3 Registered office address and postal address**

##### **Fishing Industry Medical Scheme**

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

#### **1.4 Medical scheme administrator**

##### **Momentum Health Solutions (Pty) Ltd**

268 West Avenue	PO Box 7400
Centurion	Centurion
Gauteng	0046
0157	

Accreditation no 17

#### **1.5 Capitation provider during the year**

##### **Momentum Health Solutions (Pty) Ltd**

268 West Avenue	PO Box 7400
Centurion	Centurion
Gauteng	0046
0157	

Accreditation no 26

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

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**1. MANAGEMENT (CONTINUED)**

**1.6 Investment managers during the year**

**Nedgroup Collective Investments Ltd**

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

**Sanlam Investment Management**

2 Strand Road	PO Box 1
Bellville	Sanlamhof
7530	7530

**Momentum Collective Investments Ltd**

268 West Ave	PO Box 7400
Centurion	Centurion
0157	0046

**Investec Fund Managers SA (RF) (Pty) Ltd**

100 Grayston Drive Sandown	PO Box 785700
Sandton	Sandton
2196	2146

**1.7 Actuaries**

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

Belvedere Office Park	PO Box 3950
Block B	Tyger Valley
Pasita Street	7536
Tyger Valley	
7536	

**1.8 Independent auditors**

**PricewaterhouseCoopers Inc.**

5 Silo Square	PO Box 2799
V&A Waterfront	Cape Town
Cape Town	8000
8002	

**2. DESCRIPTION OF SCHEME**

**2.1 Terms of registration**

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

**2.2 Benefit options within Fishing Industry Medical Scheme**

The Scheme offers two options to members.

These are:

- Standard; and
- Primary.

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

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**2. DESCRIPTION OF SCHEME (CONTINUED)**

**2.3 Personal medical savings account**

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

**2.4 Corporate governance**

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

**2.5 Risk transfer arrangement**

The Scheme renewed the risk transfer arrangement with Momentum Health Solutions (Pty) Ltd for 2021. 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 matter 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 outstanding of R34,479 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.

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

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

**4.2 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 for an exemption from this section of the Medical Schemes Act. The Council has granted the Scheme exemption until 30 November 2022.

**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**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
The accumulated funds ratio is calculated on the following basis:		
Accumulated funds per Regulation 29 of the Act	19,678,459	17,709,194
Gross risk contribution income per statement of comprehensive income	23,848,140	22,173,130
Accumulated funds ratio	82.52%	79.87%

**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 15 to the financial statements for other related party transactions.

**8. AUDIT COMMITTEE**

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

- 12 April 2021; and
- 5 November 2021.

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.



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

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### **8. AUDIT COMMITTEE (CONTINUED)**

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:

- A Hector	Trustee
- A Johnson	Trustee
- S Lawson	Independent member
- M Loubser	Independent member
- S Nojekwa	Trustee
- T van der Westhuizen	Chairperson and independent member

The above-mentioned members also represent the Finance Committee.

### **9. EVENTS AFTER THE REPORTING DATE**

At the date of finalisation of the annual financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the annual financial statements.

#### **9.1 COVID-19**

In making their estimates and judgements as at 31 December 2021, the Trustees took into consideration the economic conditions and forecasts as at that date.

The Scheme is also a fully capitated scheme, which means that the capitation provider bears the risk of all claims paid. The Scheme is not exposed to any risk in this regard.

No form of COVID-19 relief was granted to its members. The Board of Trustees will continue to consider the potential impact of the COVID-19 outbreak on significant estimates and judgements going forward.

### **10. FIDELITY COVER**

The Scheme was covered by professional indemnity insurance for the period 1 January 2021 to 31 December 2021. The value of the cover is R3million and is extended to the Trustees and officers of the Scheme.

### **11. GOING CONCERN**

With the outbreak of the coronavirus pandemic the Trustees continue to be of the opinion that the Scheme will be able to continue as a going concern. Refer to note 22 of the notes to the annual financial statements for additional disclosure on events after the reporting date. The Board took the following into consideration in the evaluation of the Scheme's going-concern status:

- Available cash and investments at the end of the year amounted to R20,019,004.
- The Scheme reported a reserve ratio of 82.52% as at 31 December 2021.
- The Scheme is fully capitated.

### **12. PRESCRIBED MINIMUM BENEFIT (PMB) EXEMPTION**

The Scheme has been exempted in terms of Section 8(H) from the provisions of Section 29(1)(o) of the Medical Schemes Act. The exemption is valid until 31 December 2021.

**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 and Finance Committee members.

Trustees/Committee member	Board meetings		Audit Committee meetings		Finance Committee meetings	
	A	B	A	B	A	B
I Dwayi (term expired: 30 June 2021)	4	2				
R Bosch	4	4				
F De Andrade (appointed: 1 September 2021)	1	1				
J Domingo (appointed: 1 September 2021)	1	1				
S De Wet	4	4				
A Hector	4	3	2	2	4	4
R Howarth (resigned: 31 August 2021)	4	3				
A Johnson	4	3	2	0	3	0
S Lawson#			2	2	4	4
S Nojekwa	4	2	2	1	1	1
G Nortje# (resigned: 8 September 2021)			2	1	4	3
M Shumbaimwe	4	0				
T van der Westhuizen#			2	2	4	4
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 Financial Committee sub-committees

\* By invitation in her capacity as Principal Officer

**14. OPERATIONAL STATISTICS FOR 2021**

	Standard	Primary	Total
Average number of members for the accounting period	931	893	1,824
Number of members at the end of the accounting period	945	907	1,852
Average number of beneficiaries for the accounting period	2,079	2,210	4,289
Number of beneficiaries at the end of the accounting period	2,132	2,249	4,381
Average age of beneficiaries for the accounting period	27.1	27.1	27.1
Number of members joining the Scheme	114	118	232
Number of members leaving the Scheme	65	79	144
Dependant ratio	1.3	1.5	1.4
Pensioner ratio	0.61%	0.22%	0.41%
Average contributions per member per month (R)	1,463	701	1,090
Average contributions per beneficiary per month (R)	655	283	463
Average relevant healthcare expenditure per member per month (R)	1,245	517	889
Average relevant healthcare expenditure per beneficiary per month (R)	558	209	378
Average administration expense per member per month (R)	154	154	154

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

**14. OPERATIONAL STATISTICS FOR 2021 (CONTINUED)**

	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
Average administration expense per beneficiary per month (R)	69	62	65
Average accumulated funds per member at 31 December (R)	N/A	N/A	10,626
Relevant healthcare expenditure as a percentage of contributions	85.1%	73.8%	81.6%
Non-healthcare expenses as a percentage of contributions	10.5%	22.0%	14.1%
Amount paid to administrator (R)	1,065,000	1,021,530	2,086,530
Return on investments as percentage of investments	N/A	N/A	2.86%

**15. OPERATIONAL STATISTICS FOR 2020**

	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
Average number of members for the accounting period	895	892	1,786
Number of members at the end of the accounting period	899	873	1,772
Average number of beneficiaries for the accounting period	1,970	2,189	4,159
Number of beneficiaries at the end of the accounting period	1,980	2,161	4,141
Average age of beneficiaries for the accounting period	27.2	26.7	26.9
Number of members joining the Scheme	127	64	191
Number of members leaving the Scheme	94	97	191
Dependant ratio	1.2	1.5	1.3
Pensioner ratio	0.61%	0.19%	0.39%
Average contributions per member per month (R)	1,395	671	1,035
Average contributions per beneficiary per month (R)	634	274	444
Average relevant healthcare expenditure per member per month (R)	1,194	491	844
Average relevant healthcare expenditure per beneficiary per month (R)	543	200	362
Average administration expense per member per month (R)	153	153	153
Average administration expense per beneficiary per month (R)	70	62	66
Average accumulated funds per member at 31 December (R)	N/A	N/A	9,994
Relevant healthcare expenditure as a percentage of contributions	85.6%	73.1%	81.5%
Non-healthcare expenses as a percentage of contributions	11.0%	22.8%	14.8%
Amount paid to administrator (R)	999,592	996,241	1,994,716
Return on investments as percentage of investments	N/A	N/A	4.40%



## 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 16 to 45, which comprise the statement of financial position as at 31 December 2021, and 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 2021, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

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' International Code of Ethics for Professional Accountants (including International Independence Standards).

#### 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.

Key audit matter	How our audit addressed the key audit matter
<p><i>Outstanding risk claims provision</i></p> <p>The outstanding risk claims provision of R1,079,239 at year-end as described in Note 7 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 management and the Audit Committee and recommended to the Board of Trustees for approval.</p> <p>The Scheme's actuaries use an actuarial method, based on the Scheme's actual claim development patterns throughout the year, to project the year-end provision. This method applies the Basic Chain Ladder ('BCL') method.</p> <p>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 risk claims provision.</p>	<p>We obtained an understanding from the Scheme's actuaries regarding the process followed in calculating the outstanding claims provision, which included the design and implementation of controls within the process. 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 2021. The actual claims data reflects the most recent claims patterns, including the impact of COVID-19 and is taken into account in calculating the outstanding risk claims provision.</p> <p>We assessed the completeness of the claims data on the member administration system by understanding management's controls and selecting claim transactions from the claim source and agreeing these to the member administration system. No material inconsistencies were noted.</p>

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5 Silo Square, V&A Waterfront, Cape Town 8001, P O Box 2799, Cape Town 8000  
T: +27 (0) 21 529 2000, F: +27 (0) 21 814 2000, www.pwc.co.za

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

*Key Audit Matters (continued)*

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<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 could cause a material change to the amount of the provision.</p>	<p>We assessed the completeness of the claims data in the Scheme's actuarial model by understanding management's controls and testing the reconciliation between the claims data per the member administration system and the claims data per the model. No material inconsistencies were 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 provision. We noted no matters for further consideration with respect to the estimation process.</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 performed the following procedures to assess the adequacy of the outstanding claims provision:</p> <ul style="list-style-type: none"> <li>- We obtained the actual claims run-off report up to 31 March 2022 from the Scheme's actuaries and compared the claims paid post year-end to the Outstanding risk claims provision at year-end as part of subsequent event procedures. No material inconsistencies were noted.</li> <li>- For a sample of claims from the claims run-off report, we tested the occurrence and accuracy of the claims as well as the accuracy of the related service dates by agreeing the claims to underlying supporting documents on the policy administration system and we identified no material inconsistencies.</li> <li>- We inquired 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. No such delays were identified.</li> <li>- We obtained a list of pre-authorisations approved prior to year-end from the actuaries. For a sample of pre-authorisations with a service date before year-end, we requested the related claim documentation and assessed if the related claim had been included correctly in the claims run-off report up to 31 March 2022. No material inconsistencies were noted.</li> </ul>

*Other Information*

The Scheme's Trustees are responsible for the other information. The other information comprises the information included in the document titled 'Fishing Industry Medical Scheme Annual Financial Statements for the year ended 31 December 2021'. The other information does not include the financial statements and our auditor's report thereon.

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

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### *Other Information (continued)*

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Scheme's Trustees for the Financial Statements*

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

In preparing the financial statements, the Scheme's Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to 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 override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- 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.

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

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*Auditor's Responsibilities for the Audit of the Financial Statements (continued)*

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

**Report on Other Legal and Regulatory Requirements**

*Non-compliance with the Medical Schemes Act of South Africa*

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

*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 three years.

The engagement partner, Onalenna Halenyane, has been responsible for Fishing Industry Medical Scheme's audit for two years.

*PricewaterhouseCoopers Inc.*

**PricewaterhouseCoopers Inc.**

Director: Onalenna Halenyane

Registered Auditor

Cape Town, South Africa

26 April 2022

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF FINANCIAL POSITION  
at 31 December 2021**

	Notes	2021 R	2020 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
		6,816,596	8,879,427
Financial assets at fair value through profit or loss	2	6,805,599	8,861,484
Property, plant and equipment	3	10,997	17,943
<b>Current assets</b>			
		16,040,333	11,280,481
Financial assets at fair value through profit or loss	2	10,203,499	5,501,448
Insurance and other receivables	4	2,826,928	2,062,552
Cash and cash equivalents	5	3,009,906	3,716,481
<b>Total assets</b>		<b>22,856,929</b>	<b>20,159,908</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
		19,678,459	17,709,194
Accumulated funds		19,678,459	17,709,194
Revaluation reserve		-	-
<b>Current liabilities</b>			
		3,178,470	2,450,714
Insurance and other payables	6	1,905,166	1,744,644
Outstanding risk claims provision	7	1,273,304	706,070
<b>Total funds and liabilities</b>		<b>22,856,929</b>	<b>20,159,908</b>



**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2021**

	Notes	2021 R	2020 R
<b>Risk contribution income</b>	8	23,848,140	22,173,130
<b>Relevant healthcare expenditure</b>		(19,453,297)	(18,078,971)
Net claims incurred		(16,737,117)	(13,721,848)
Risk claims incurred	9	(16,737,117)	(13,721,848)
Net expense on risk transfer arrangement		(2,716,180)	(4,357,123)
Premiums paid on risk transfer arrangement	10	(19,453,297)	(18,078,971)
Recoveries from risk transfer arrangement	10	16,737,117	13,721,848
<b>Gross healthcare result</b>		4,394,843	4,094,159
Administration and other expenditure	11	(3,379,021)	(3,272,551)
Net reversal/(impairment) on insurance and other receivables	12	12,865	(13,809)
<b>Net healthcare result</b>		1,028,687	807,799
<b>Other income</b>			
Investment income	13	830,050	796,267
Realised gain on financial assets at fair value through profit and loss	13	81,922	61,614
Unrealised gain on financial assets at fair value through profit and loss	13	124,411	58,475
Sundry income	14	-	66,195
Investment management fees	13	(95,805)	(87,384)
<b>Total comprehensive income for the year</b>		1,969,265	1,702,966

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF CHANGES IN FUNDS AND RESERVES  
for the year ended 31 December 2021**

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	<b>Total members' funds R</b>
<b>Opening balance for the year ended 31 December 2020</b>	16,006,228
Total comprehensive income for the year	<u>1,702,966</u>
<b>Closing balance for the year ended 31 December 2020</b>	17,709,194
Total comprehensive income for the year	1,969,265
<b>Closing balance for the year ended 31 December 2021</b>	<b><u>19,678,459</u></b>

\*The restatement of the opening retained earnings balance was performed to align the disclosure of investments at fair value through profit or loss managed by Sanlam Investment Management to the required reporting as per the Council for Medical Schemes. Previously the investments at fair value through profit or loss managed by Sanlam Investment Management did not accurately reflect all the components that the balance was comprised of. To correct this error, the value of the investment was stripped down to reflect the following separate components; dividends income, realised gains/losses, unrealised gains/losses, and investment income. The net impact on retained earnings has been disclosed as a restatement adjustment above and was not deemed to have a material impact on the Scheme's reported results.

**FISHING INDUSTRY MEDICAL SCHEME  
STATEMENT OF CASH FLOWS  
for the year ended 31 December 2021**

	<b>2021</b>	<b>Restated</b>
	<b>R</b>	<b>2020</b>
		<b>R</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from members and providers	23,229,051	22,233,143
Cash receipts from members – contributions	23,062,952	22,152,446
Cash receipts from members and providers – other	166,099	80,697
Cash paid to providers, employees and members	(22,022,640)	(21,308,058)
Cash paid to providers and members – claims	(18,725,541)	(18,158,491)
Cash paid to providers and employees – non-healthcare expenditure	(3,297,099)	(3,149,567)
<b>Net cash from operating activities</b>	1,206,411	925,085
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(20,837)
Purchase of investments	(10,689,161)	(747,108)
Proceeds on disposal of investments	8,042,994	-
Interest received	681,363	591,746
Dividend received	51,817	96,900
<b>Net cash used in investing activities</b>	(1,912,987)	(79,299)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at the beginning of the year	3,716,481	2,870,695
Cash and cash equivalents at the end of the year	3,009,906	3,716,481

The statement of cash flows (SOCF) has been aligned to the prescribed format as set out in Circular 52 of 2021 with the most notable changes being the reporting of cash from operating activities using the direct method. The cash flows from operating activities were previously reported using the indirect method. Please refer to note 24 for additional disclosure.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2021**

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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, except for changes required by the mandatory adoption of new, revised IFRS and changes in accounting policy as per Note 24.

***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 rands (ZAR). All financial information presented has been rounded to the nearest rand.

***Use of estimates***

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amount of assets, liabilities and contingent liabilities at reporting date as well as affecting the reported income and expenditure for the year. The actual outcome may differ from these estimates, possibly significantly. For further information on critical estimates and judgements refer to note 19.

**1.2 Financial instruments**

The Scheme has grouped the financial instruments into 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**

The Scheme classifies its financial assets in the following measurement categories

- those to be measured subsequently at fair value 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 financial 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).

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2021 (continued)**

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

**1.2 Financial instruments (continued)**

**Financial assets (continued)**

**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. 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.

**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 and cash on hand. 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 on a net basis, all related financial effects are offset.

**1.3 Property, plant and equipment**

The Scheme only holds equipment. Equipment is reflected at historical cost less accumulated depreciation and accumulated impairments. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets after taking into consideration the assets' residual value.

The estimated useful lives of equipment are as follows:

Computer equipment – three years

The useful lives, depreciation methods and residual values are reviewed annually at the reporting date and adjusted if appropriate.

Maintenance and repairs are expensed as incurred. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Scheme.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with its carrying amount. Gains and losses on the disposal of equipment is recognised in profit or loss.

**1.4 Provisions**

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

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

**1.5 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 risk claims provision. The Scheme does not discount its provision for outstanding risk claims, since the effect of the time value of money is not considered significant.

**1.6 Insurance contracts**

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

*Liabilities and related assets under liability adequacy test*

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

**1.7 Risk contribution income**

Risk contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. The earned portion of contributions received is recognised as revenue. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. Risk contributions are shown before any deduction of costs.

**1.8 Risk 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.

**1.9 Risk transfer arrangements**

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

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.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2021 (continued)**

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

**1.9 Risk transfer arrangements (continued)**

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.

**1.10 Investment income**

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

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.

**1.11 Impairment of assets**

The Scheme classifies its financial assets as fair value through profit or loss. Impairment in financial assets are therefore recognised in profit or loss as and when it occurs.

The Scheme recognises a loss allowance for expected credit losses on trade and other receivables. The expected credit loss model requires the Scheme to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In determining impairment of insurance receivables, the incurred loss model adopted under IFRS 4: Insurance contracts has been assessed and is reasonable and appropriate to determine impairment of insurance receivables and this model will continue to be applied and the expected credit loss model not adopted to determine impairment of insurance receivables.

*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 in profit or loss 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.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2021 (continued)**

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

**1.12 Unclaimed benefits**

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

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

The Scheme grants assistance to its members in defraying expenditure incurred in connection with 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.

**1.14 Relevant healthcare expenditure**

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

**1.15 Allocation of income and expenditure to benefit options**

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

The following items are directly allocated to benefit options:

- risk contribution income;
- 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:

- administration and other 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 2021 (continued)**

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

**1.16 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 2023	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.

Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. As IFRS 17 is effective for annual periods beginning on or after 1 January 2023, the Scheme has not early adopted the amendment and the impact of this amendment will still be assessed by the Scheme.

**2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

<b>Non-current assets</b>	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Fair value at the beginning of the year	8,861,484	8,377,108
Additions	4,362,591	-
Disposals	(8,042,994)	-
Reinvestment of investment income	1,418,185	364,287
Realised gain on financial assets at fair value through profit and loss	81,922	61,614
Unrealised gain on financial assets at fair value through profit and loss	124,411	58,475
	<u>6,805,599</u>	<u>8,861,484</u>
The investments included above represent investments managed by:		
Sanlam – Pooled portfolio	-	4,146,981
Nedbank – Pooled portfolio	-	2,370,627
Investec – Pooled portfolio	6,805,599	2,343,876
	<u>6,805,599</u>	<u>8,861,484</u>
Financial assets in a policy of insurance are invested in:		
- bonds, bills and securities	-	947,581
- money-market instruments	6,805,599	6,589,568
- shares, debentures and unit trusts	-	1,324,335
	<u>6,805,599</u>	<u>8,861,484</u>

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2021 (continued)**

**2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

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

<b>Current assets</b>	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Fair value at the beginning of the year	5,501,448	5,189,996
Additions	4,480,403	-
Reinvestment of investment income	221,648	311,452
	<u>10,203,499</u>	<u>5,501,448</u>

The investment included above is a money-market fund managed by Momentum Collective Investments Ltd.

Financial assets in a policy of insurance are invested in:

- Pooled portfolio	10,203,499	5,501,448
	<u>10,203,499</u>	<u>5,501,448</u>
Total financial assets at fair value through profit or loss:		
Non-current assets	6,805,599	8,861,484
Current assets	10,203,499	5,501,448
	<u>17,009,098</u>	<u>14,362,932</u>

**3. PROPERTY, PLANT AND EQUIPMENT**

**Equipment:**

Cost

At the beginning of the year	20,837	-
Additions	-	20,837
Disposals	-	-
At the end of the year	<u>20,837</u>	<u>20,837</u>
Accumulated depreciation		
At the beginning of the year	2,894	-
Depreciation	6,946	2,894
At the end of the year	<u>9,840</u>	<u>2,894</u>
Carrying amount at the end of the year	<u>10,997</u>	<u>17,943</u>

**4. INSURANCE AND OTHER RECEIVABLES**

**Insurance receivables**

Contributions outstanding	1,498,525	1,310,488
Less: Accumulated impairment losses	(1,265)	(14,130)
- Carrying amount at the beginning of the year	(14,130)	(321)
- Impairment losses reversed/(incurred) during the year	12,865	(13,809)
	1,497,260	1,296,358
Add: Risk transfer arrangement		
- Share of outstanding risk claims provision (note 7)	1,273,304	706,070
- Profit share receivable	-	-
	<u>2,770,564</u>	<u>2,002,428</u>

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2021 (continued)**

**4. INSURANCE AND OTHER RECEIVABLES (CONTINUED)**

**Insurance receivables (continued)**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>Other receivables</b>		
Sundry accounts receivable	7,500	12,500
Prepaid expenses	15,033	14,317
Accrued interest	33,831	33,307
<b>Total insurance and other receivables</b>	<u>2,826,928</u>	<u>2,062,552</u>

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

Balance at the beginning of the year	706,070	672,011
Payments received in respect of prior year	(706,070)	(672,011)
Under-provision in prior year	-	-
Adjustments for current year	<u>1,273,304</u>	<u>706,070</u>
Balance at the end of the year	<u>1,273,304</u>	<u>706,070</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 expected credit loss (ECL) model did not have a material impact on the fund.

**5. CASH AND CASH EQUIVALENTS**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Call accounts	2,340,304	3,034,663
Current accounts	669,602	681,818
	<u>3,009,906</u>	<u>3,716,481</u>

The weighted average effective interest rate on call accounts was 3.20% (2020: 2.95%) and for the current account it was 1.85% (2020: 1.60%).

**6. INSURANCE AND OTHER PAYABLES**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>Insurance payables</b>	1,762,864	1,521,810
Contributions received in advance	20,763	20,684
Risk transfer arrangement premium	1,742,101	1,501,126
Stale cheques	-	-
<b>Other payables</b>	142,302	222,834
Accrued expenses	12,164	41,264
Audit fee accrual	130,138	181,570
	<u>1,905,166</u>	<u>1,744,644</u>

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

**FISHING INDUSTRY MEDICAL SCHEME  
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**7. OUTSTANDING RISK CLAIMS PROVISION**

<b>2021</b>	<b>Covered by risk transfer arrangement R</b>
Provision for outstanding risk claims	<u>1,273,304</u>
<i>Analysis of movements in outstanding risk claims provision</i>	
Balance at the beginning of the year	706,070
Payments in respect of the prior year	<u>(706,070)</u>
Over-provision in respect of the prior year	-
Adjustment for the current year	<u>1,273,304</u>
Balance at end of the year	<u>1,273,304</u>
 Total outstanding risk claims provision	 <u>1,273,304</u>
 <b>2020</b>	
Provision for outstanding risk claims	<u>706,070</u>
<i>Analysis of movements in outstanding risk claims provision</i>	
Balance at the beginning of the year	672,011
Payments in respect of the prior year	<u>(672,011)</u>
Over provision in respect of the prior year	-
Adjustment for the current year	<u>706,070</u>
Balance at end of the year	<u>706,070</u>
 Total outstanding risk claims provision	 <u>706,070</u>

*Process and assumptions used to prepare estimates*

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

Each notified claim is assessed on a separate, case-by-case basis with due regard to the claim circumstances 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.

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
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**7. OUTSTANDING RISK CLAIMS PROVISION (CONTINUED)**

*Process and assumptions used to prepare estimates (continued)*

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

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

*Assumptions*

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

- for each month of delay since the service month, the total claims for that month is a constant proportion of total claims for the service month;
- all claims are assumed to be fully run-off within 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 month's 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 are therefore provided.

**8. RISK CONTRIBUTION INCOME**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Contributions	<u>23,848,140</u>	<u>22,173,130</u>

**9. RISK CLAIMS INCURRED**

**Claims incurred in respect of risk transfer arrangement**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Current year claims	15,463,813	13,015,778
Outstanding risk claims provision (note 7)	1,273,304	706,070
- Adjustment for current year	1,273,304	706,070
- Prior year under-provision	-	-
Net claims incurred	<u>16,737,117</u>	<u>13,721,848</u>

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 Momentum Health Solutions (Pty) Ltd ('the risk transfer organisation') is renewed on an annual basis.

**FISHING INDUSTRY MEDICAL SCHEME  
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**10. NET EXPENSE ON RISK TRANSFER ARRANGEMENT**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Premiums paid on risk transfer arrangement – Momentum Health Solutions (Pty) Ltd	(19,453,297)	(18,078,971)
Less: Recoveries from risk transfer arrangement – Momentum Health Solutions (Pty) Ltd	16,737,117	13,721,848
<b>Net expense on risk transfer arrangement</b>	<b>(2,716,180)</b>	<b>(4,357,123)</b>

Hospital care for both options, excluding in-hospital cover for the Primary option, are covered by the risk transfer arrangement with Momentum Health Solutions (Pty) Ltd. 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 2021 and 2020 financial years. The risk transfer premiums are charged on a per member and dependant basis.

**11. ADMINISTRATION AND OTHER EXPENDITURE**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Administrator's fees	2,086,530	1,994,716
Actuarial fees	167,811	162,758
Audit committee fees	17,500	13,000
Audit fees	286,655	281,178
Bank charges	27,855	25,841
Depreciation	6,946	2,894
Fidelity insurance	14,317	14,317
Levies: Council for Medical Schemes	78,195	73,164
Membership fees	25,765	26,393
Other expenses	5,877	1,991
Principal Officer remuneration	293,854	273,638
Printing, postage and communication	147,929	194,107
Rule registration costs	1,265	880
Staff costs	200,327	187,410
Telephone	18,195	17,701
Travel and entertainment	-	2,563
	<u>3,379,021</u>	<u>3,272,551</u>

**12. NET IMPAIRMENT ON INSURANCE AND OTHER RECEIVABLES**

**Insurance and other receivables**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Members' and service providers' portions that are not recoverable	12,865	(13,809)
Movement in accumulated impairments	12,865	(13,809)
Written off during the year	-	-
	<u>12,865</u>	<u>(13,809)</u>

**FISHING INDUSTRY MEDICAL SCHEME  
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**13. INVESTMENT INCOME**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Cash and cash equivalents interest income	778,233	699,367
Dividend income	51,817	96,900
Realised gain on financial asset	81,922	61,614
Unrealised gain on financial asset	124,411	58,475
	<u>1,036,383</u>	<u>916,356</u>
Investment management fees	<u>(95,805)</u>	<u>(87,384)</u>
	<u>940,578</u>	<u>828,972</u>

**14. SUNDRY INCOME**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Costs recovered from the sick fund	-	60,000
Stale cheques written back	-	6,195
	<u>-</u>	<u>66,195</u>

**15. RELATED PARTY DISCLOSURES**

**Parties with significant influence over the Scheme**

Momentum Health Solutions (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. Momentum Health Solutions (Pty) Ltd provides administration services.

Managed care organisation, Momentum Health Solutions (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 that guide the Scheme's operations, but does not control the Scheme.

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

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

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

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

**Statement of comprehensive income**

**Compensation**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Short-term employment benefits	293,854	273,638

**Contributions and claims**

Risk contributions received – Principal Officer and Trustees	95,856	88,922
Claims incurred – Principal Officer and Trustees	56,442	23,720
Travel expenses – Principal Officer	-	2,563

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

**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 2021.

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

**Contributions received**

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

**Claims incurred**

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

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

**Statement of comprehensive income**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Administration fees – Momentum Health Solutions (Pty) Ltd	2,086,530	1,994,716
Risk transfer premiums – Momentum Health Solutions (Pty) Ltd	19,453,297	18,078,971
Recoveries on risk transfer arrangement – Momentum Health Solutions (Pty) Ltd	16,737,117	13,721,848
Actuarial fees – NMG Consultants and Actuaries (Pty) Ltd	167,811	162,758

**Statement of financial position**

Risk transfer arrangement recoveries receivable – Momentum Health Solutions (Pty) Ltd	1,273,304	706,070
Risk transfer premium fees due – Momentum Health Solutions (Pty) Ltd	1,742,101	1,501,126
Printing and postage due – Momentum Health Solutions (Pty) Ltd	11,002	39,930

**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 3 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 2021. The risk transfer premiums are charged on a per member and dependant basis.

**16. GUARANTEES AND COMMITMENTS**

The Scheme has not provided any guarantees or commitments.



**FISHING INDUSTRY MEDICAL SCHEME  
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**17. SURPLUS FROM OPERATIONS PER BENEFIT OPTION**

	<b>Standard</b>	<b>Primary</b>	<b>Total</b>
<b>2021</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Risk contribution income</b>	16,340,380	7,507,760	23,848,140
<b>Relevant healthcare expenditure</b>	(13,913,675)	(5,539,622)	(19,453,297)
Net claims incurred	(11,782,121)	(4,954,996)	(16,737,117)
Risk claims incurred	(11,782,121)	(4,954,996)	(16,737,117)
Net expense on risk transfer arrangement	(2,131,554)	(584,626)	(2,716,180)
Premiums paid on risk transfer arrangement	(13,913,675)	(5,539,622)	(19,453,297)
Recoveries from risk transfer arrangement	11,782,121	4,954,996	16,737,117
Profit share from risk transfer arrangement			-
<b>Gross healthcare result</b>	2,426,705	1,968,138	4,394,843
Administration and other expenditure	(1,724,445)	(1,654,576)	(3,379,021)
Net impairment on insurance and other receivables	6,594	6,271	12,865
<b>Net healthcare result</b>	708,854	319,833	1,028,687
<b>Other income</b>			
Investment income	528,870	507,513	1,036,383
Management fees	(48,879)	(46,926)	(95,805)
<b>Net surplus for the year</b>	<u>1,188,845</u>	<u>780,420</u>	<u>1,969,265</u>
<b>2020</b>			
<b>Risk contribution income</b>	14,986,772	7,186,358	22,173,130
<b>Relevant healthcare expenditure</b>	(12,826,642)	(5,252,329)	(18,078,971)
Net claims incurred	(9,670,161)	(4,051,687)	(13,721,848)
Risk claims incurred	(9,670,161)	(4,051,687)	(13,721,848)
Net expense on risk transfer arrangement	(3,156,481)	(1,200,642)	(4,357,123)
Premiums paid on risk transfer arrangement	(12,826,642)	(5,252,329)	(18,078,971)
Recoveries from risk transfer arrangement	9,670,161	4,051,687	13,721,848

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2021 (continued)**

**17. 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>Gross healthcare result</b>	2,160,130	1,934,029	4,094,159
Administration and other expenditure	(1,640,287)	(1,632,264)	(3,272,551)
Net impairment on insurance and other receivables	(6,984)	(6,825)	(13,809)
<b>Net healthcare result</b>	512,859	294,940	807,799
<b>Other income</b>			
Investment income	460,336	456,020	916,356
Sundry income	33,144	33,051	66,195
Management fees	(43,771)	(43,613)	(87,384)
<b>Net surplus for the year</b>	<b>962,568</b>	<b>740,397</b>	<b>1,702,966</b>

**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 Momentum Health Solutions (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.

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

**Frequency and severity of claims**

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

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

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

**2021**

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
< 24	1,026	910	1,936
25 – 34	288	431	719
35 – 49	733	562	1,295
50 – 64	197	216	413
> 65	5	13	18
Total	2,249	2,132	4,381

**2020**

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
< 24	988	830	1,818
25 – 34	299	422	721
35 – 49	687	516	1,203
50 – 64	183	200	383
> 65	4	12	16
Total	2,161	1,980	4,141

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.

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

**2021**

Age grouping (in years)	General practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
<26	-	-	-	-	-	-	-
26 – 35	-	-	-	-	-	-	-
36 – 50	-	-	-	-	-	-	-
51 – 65	-	-	-	-	-	-	-
>65	-	-	-	-	-	-	-
Momentum Health Solutions (Pty) Ltd	5,295,092	1,567,385	997,248	1,380,303	4,982,221	1,241,564	15,463,813
Movement in IBNR provision	436,004	129,060	82,114	113,655	410,240	102,231	1,273,304
<b>Total</b>	<b>5,731,096</b>	<b>1,696,445</b>	<b>1,079,362</b>	<b>1,493,958</b>	<b>5,392,461</b>	<b>1,343,795</b>	<b>16,737,117</b>

**2020**

Age grouping (in years)	General practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
<26	-	-	-	-	-	-	-
26 – 35	-	-	-	-	-	-	-
36 – 50	-	-	-	-	-	-	-
51 – 65	-	-	-	-	-	-	-
>65	-	-	-	-	-	-	-
Momentum Health Solutions (Pty) Ltd	4,700,253	1,224,613	772,823	1,146,952	3,906,794	1,264,343	13,015,778
Movement in IBNR provision	254,975	66,432	41,924	62,219	211,933	68,587	706,070
<b>Total</b>	<b>4,955,228</b>	<b>1,291,045</b>	<b>814,747</b>	<b>1,209,171</b>	<b>4,118,727</b>	<b>1,332,930</b>	<b>13,721,848</b>

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

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

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

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

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

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

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**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 has 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 7).

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>Cash and cash equivalents and other receivables</b>	<b>Financial asset at fair value through profit and loss</b>	<b>Financial liabilities measured at amortised cost</b>	<b>Insurance receivables and payables</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2021</b>				
Investments	-	17,009,098	-	-
Cash and cash equivalents	3,009,906	-	-	-
Insurance and other receivables				
- <i>Insurance receivables</i>	-	-	-	2,770,564
- <i>Other receivables</i>	45,807	-	-	-
Insurance and other payables				
- <i>Insurance payables</i>	-	-	-	1,762,864
- <i>Other payables</i>	-	-	142,302	-
Outstanding claims provision	-	-	-	1,273,304
	<b>3,055,713</b>	<b>17,009,098</b>	<b>142,302</b>	<b>5,806,732</b>
	<b>Cash and cash equivalents and other receivables</b>	<b>Financial asset at fair value through profit and loss</b>	<b>Financial liabilities measured at amortised cost</b>	<b>Insurance receivables and payables</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2020</b>				
Investments	-	14,362,932	-	-
Cash and cash equivalents	3,716,481	-	-	-
Insurance and other receivables				
- <i>Insurance receivables</i>	-	-	-	2,002,428
- <i>Other receivables</i>	45,807	-	-	-
Insurance and other payables				
- <i>Insurance payables</i>	-	-	-	1,521,810
- <i>Other payables</i>	-	-	222,834	-
Outstanding claims provision	-	-	-	706,070
	<b>3,762,288</b>	<b>14,362,932</b>	<b>222,834</b>	<b>4,230,308</b>

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

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

**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 59.2% (2020: 45.9%) 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 – 3 months</b>	<b>4 – 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>2021</b>					
Outstanding claims provision	973,004	300,300	-	-	1,273,304
Insurance payables					
- Contributions received in advance	20,763	-	-	-	20,763
- Risk transfer arrangement premiums due	1,742,101	-	-	-	1,742,101
Other payables	12,164	-	130,138	-	142,302
<b>Total liabilities</b>	<b>2,748,032</b>	<b>300,300</b>	<b>130,138</b>	<b>-</b>	<b>3,178,470</b>
Cash and cash equivalents	-	-	-	-	3,009,906
<b>Excess liquidity</b>					<b>(168,565)</b>
	<b>Up to 1 month</b>	<b>2 – 3 months</b>	<b>4 – 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>2020</b>					
Outstanding claims provision	685,296	20,774	-	-	706,070
Insurance payables					
- Contributions received in advance	20,684	-	-	-	20,684
- Risk transfer arrangement premiums due	1,501,126	-	-	-	1,501,126
Other payables	41,264	-	181,570	-	222,834
<b>Total liabilities</b>	<b>2,248,370</b>	<b>20,774</b>	<b>181,570</b>	<b>-</b>	<b>2,450,714</b>
Cash and cash equivalents	-	-	-	-	3,716,481
<b>Excess liquidity</b>					<b>1,265,767</b>

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

**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	2021	2020	2021	2020
	R	R	Credit rating – Moody's deposit ratings	
Standard Bank of South Africa Ltd	3,009,906	3,716,481	Ba2	Ba2

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 below illustrates the majority of the exposure.

	Neither past due, nor impaired	Past due, not impaired	Impaired	Total carrying amount
	R	R	R	R
<b>2021</b>				
Insurance and other receivables	2,622,592	1,266	-	2,623,858
Insurance receivables	2,581,261	1,266	1,265	2,583,792
Contributions outstanding	1,307,957	1,266	1,265	1,310,488
Accounts recoverable from members and providers	-	-	-	-
Outstanding claims provision on risk transfer arrangement	1,273,304	-	-	1,273,304
Accumulated impairment losses	-	-	(1,265)	(1,265)
Other receivables	41,331	-	-	41,331
Cash and cash equivalents	3,009,906	-	-	3,009,906
<b>Total</b>	<b>5,632,498</b>	<b>1,266</b>	<b>-</b>	<b>5,633,764</b>

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2021 (continued)**

**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>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2020</b>				
Insurance and other receivables	2,033,523	14,713	-	2,048,235
Insurance receivables	1,987,716	14,713	14,130	2,016,558
- Contributions outstanding	1,281,646	14,713	14,130	1,310,488
- Accounts recoverable from members and providers	-	-	-	-
- Outstanding claims provision on risk transfer arrangement	706,070	-	-	706,070
- Accumulated impairment losses	-	-	(14,130)	(14,130)
- Profit share receivable	-	-	-	-
- Other receivables	45,807	-	-	45,807
Cash and cash equivalents	3,716,481	-	-	3,716,481
<b>Total</b>	<b>5,750,004</b>	<b>14,713</b>	<b>-</b>	<b>5,764,716</b>

Age analysis of past due amounts:

	<b>30 days</b>	<b>60 days</b>	<b>90 days</b>	<b>Total</b>
<b>2021</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
- Contributions outstanding	28,306	3,652	1,255	1,266
- Accounts recoverable from members and providers	-	-	-	-
<b>Past due total</b>	<b>28,306</b>	<b>3,652</b>	<b>1,255</b>	<b>1,266</b>



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

**Credit risk (continued)**

	<b>30 days</b>	<b>60 days</b>	<b>90 days</b>	<b>Total</b>
<b>2020</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Contributions outstanding Accounts recoverable from members and providers	6,384	3,444	4,885	14,713
	-	-	-	-
<b>Past due total</b>	<b>6,384</b>	<b>3,444</b>	<b>4,885</b>	<b>14,713</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**

Equity risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market place. Equities are reflected at market values, which are susceptible to fluctuations.

Should the South African equities market change by 10% (increase or decrease) (2020:10%), assuming all other variables remain constant and the recent past is predictive of the future, the impact on the market value of the Scheme's investments would be as follows:

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Equity	-	132,434

The equity risk sensitivity analysis is based on a 10% change in equity values, which is viewed as a conservative, but likely return on the South African stock exchange.

**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.

<b>As at 31 December 2021</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>
Financial assets through profit and loss				
Collective investment schemes	-	-	-	-
Money market	17,009,098	-	-	-
<b>Total</b>	<b>17,009,098</b>	<b>-</b>	<b>-</b>	<b>-</b>

**FISHING INDUSTRY MEDICAL SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2021 (continued)**

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

**Fair value estimation (continued)**

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

As at 31 December 2020	Level 1	Level 2	Level 3	Reclassification
	R	R	R	R
Financial assets through profit and loss				
Collective investment schemes	4,146,981	-	-	-
Money market	10,215,951	-	-	-
Total	14,362,932	-	-	-

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).

**Unconsolidated investment structures**

The asset managers invest the Scheme's money in reputable collective investment schemes (funds), which earn returns to the Scheme. The Scheme views these funds as unconsolidated structured entities and monitors the performance of the funds closely to ensure the Scheme earns high returns without unnecessary exposure to risk.

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

Fund	As at 31 December 2021		As at 31 December 2020	
	Fair value	% exposure in terms of Regulation 30	Fair value	% exposure in terms of Regulation 30
	R		R	
Sanlam Absolute Return	-	0.00%	4,146,981	28.87%
Investec Money-Market Fund	6,805,600	40.01%	2,343,877	16.32%
Nedgroup Investments Money-Market Fund	-	0.00%	2,370,628	16.51%
Momentum Money-Market Fund	10,203,498	59.99%	5,501,447	38.30%

**Interest rate risk**

The Scheme invests 96.66% of all investments in interest bearing instruments. This exposes the Scheme to fluctuations in the interest rate market.

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

**Interest rate risk (continued)**

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

	<i>Up to 1 month</i>	<i>Total</i>
<b>2021</b>	<b>R</b>	<b>R</b>
Financial asset	6,805,599	6,805,599
Cash and cash equivalents	3,009,906	3,009,906
<b>Total</b>	<b>9,815,505</b>	<b>9,815,505</b>

	<i>Up to 1 month</i>	<i>Total</i>
<b>2020</b>	<b>R</b>	<b>R</b>
Financial asset	8,861,484	8,861,484
Cash and cash equivalents	3,716,481	3,716,481
<b>Total</b>	<b>12,577,965</b>	<b>12,577,965</b>

**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 2021 would result in a decrease in members' funds of R200,190 (2020: R180,974).

An increase of 100 basis points in interest yield at 31 December 2021 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 82.52% at 31 December 2021 and 79.87% at 31 December 2020, 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 R34,479 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 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 for an exemption from this section of the Medical Schemes Act. The Council has granted the Scheme exemption until 30 November 2022.

## **22. EVENTS AFTER THE REPORTING DATE**

At the date of finalisation of the annual financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the annual financial statements.

### **22.1 COVID-19**

In making their estimates and judgements as at 31 December 2021, the Trustees took into consideration the economic conditions and forecasts as at that date.

The Scheme is also a fully capitated scheme, which means that the capitation provider bears the risk of all claims paid. The Scheme is not exposed to any risk in this regard.

No form of COVID-19 relief was granted to its members. The Board of Trustees will continue to consider the potential impact of the COVID-19 outbreak on significant estimates and judgements going forward.

**FISHING INDUSTRY MEDICAL SCHEME  
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**23. GOING CONCERN**

With the outbreak of the coronavirus pandemic, the Trustees continue to be of the opinion that the Scheme will be able to continue as a going concern; refer to note 23 of the notes to the annual financial statements for additional disclosure on events after reporting date. The Board took the following into consideration in the evaluation of the Scheme's going-concern status:

- Available cash and investments at the end of the year amounted to R20,019,004.
- The Scheme reported a reserve ratio of 82.52% as at 31 December 2021.
- The Scheme is fully capitated.

**24. CHANGE IN ACCOUNTING POLICY RELATING TO THE FORMAT OF THE STATEMENT OF CASH FLOWS**

During 2021 the Council for Medical Schemes (CMS) published Circular 52 of 2021: Statement of cash flows. In the circular it was noted that paragraph 19 of IAS 7 encourage entities to report cash flows from operating activities using the direct method. The Council for Medical Schemes introduced the direct method in its 2011 annual statutory return.

The statement of cash flows (SOCF) has been aligned to the prescribed format as set out in Circular 52 of 2021 with the most notable changes being the reporting of cash from operating activities using the direct method. The cash flows from operating activities were previously reported using the indirect method.

The change in accounting policy will be applied in preparing the financial statements for the year ended 31 December 2021. The change is applied retrospectively, with the comparative period presented as if this accounting policy had always applied.

Below is the 2020 net cash flow from operating activities as currently restated compared to previously presented.

	<b>Restated 2020 R</b>
Cash receipts from members and providers	22,233,143
Cash receipts from members – contributions	22,152,446
Cash receipts from members and providers – other	80,697
Cash paid to providers, employees and members	(21,308,058)
Cash paid to providers and members – claims	(18,158,491)
Cash paid to providers and employees – non-healthcare expenditure	(3,149,567)
<b>Net cash from operating activities</b>	925,085
	<b>Previously presented 2020 R</b>
Cash flows generated from operations before working capital changes	957,460
Working capital changes	(168,920)
- Increase in insurance and other receivables	(115,340)
- (Decrease)/Increase in insurance and other payables	(53,580)
Cash flows after working capital changes	788,540
Interest received	136,545
<b>Net cash from operating activities</b>	925,085



