

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF



WILL BE HELD ON FRIDAY, 14 AUGUST 2020 AT 10:00 VIA VIDEO CONFERENCING*

** Details of video conferencing venue to be provided by human resources*

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, 28 June 2019
3. To receive the Chairperson's report and annual financial statements for the year ended 31 December 2019 and adopt the audited annual financial statements for the year ended 31 December 2019
4. To appoint the auditors for the ensuing year
5. To ratify and approve the recommendation by the Board of Trustees to remunerate independent members serving on the Audit Committee as proposed by the Council for Medical Schemes
6. General
 - i. All matters pertaining to the Scheme to be submitted in writing seven (7) days prior to the Annual General Meeting
 - ii. Cut-off date: 7 August 2020
7. Close

By order of the Board

ALIDA SPRAGUE (MS)
PRINCIPAL OFFICER

CAPE TOWN
JUNE 2020

MINUTES OF THE 2019 ANNUAL GENERAL MEETING

A full set of the minutes of the Annual General Meeting of Fishing Industry Medical Scheme, held on 28 June 2019, is available on request.

FISHING INDUSTRY MEDICAL SCHEME CHAIRPERSON'S REVIEW

2019 results

Fishmed continued with its commitment to providing its members with affordable and appropriate healthcare funding. The Scheme continued to report positive financial results and maintained a strong financial position during 2019. This is reflected in the reserve ratio of 72.92% at 31 December 2019. The reserve ratio continued to exceed the required statutory rate of 25%. While the reserve ratio may appear to be more than adequate to keep contribution increases low, we need to factor in the unpredictability of the ever-changing healthcare market and the volatility of year-on-year claims experience.

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

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

The Scheme has also seen good positive growth in membership, with a reported membership figure of 1 853 as at the end of December 2019. The average age of beneficiaries (members and dependants) at the end of December 2019, was 26.8.

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 2020.

Enhancements

We wish to remind members of the 'Hello Doctor' service that was introduced during 2019. This service enhances your contact with doctors from the comfort of your own home, is free of charge to Fishmed members and is available 24 hours a day, seven days a week.

Word of thanks from the Chairperson

I would like express my thanks to:

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



MR I DWAYI
CHAIRPERSON

JUNE 2020

**FISHING INDUSTRY MEDICAL SCHEME
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2019**

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 2019, the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year ended and the notes to the financial statements, including a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Medical Schemes Act, 131 of 1998 of South Africa (the Act). In addition, the Trustees are responsible for preparing the report of the Board of Trustees and statement of corporate governance by the Board of Trustees.

The Scheme's Trustees are responsible for such internal controls as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustees must ensure the use of appropriate accounting policies and prudent judgements and estimates. The Trustees are also responsible for monitoring adequate accounting records and an effective system of risk management.

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

The Scheme's auditors, PricewaterhouseCoopers Inc., audited the financial statements and their report is presented on pages 12 to ?.

Approval of the annual financial statements

The financial statements for the year ended 31 December 2019 set out on pages ? to ? were approved by the Board of Trustees and are signed on its behalf by:



MR I DWAYI
CHAIRPERSON



MS A HECTOR
TRUSTEE



MS A SPRAGUE
PRINCIPAL OFFICER

30 April 2020

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

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

Board of Trustees

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

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

Internal controls

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

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

Governance

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

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



MR I DWAYI
CHAIRPERSON



MS A HECTOR
TRUSTEE



MS A SPRAGUE
PRINCIPAL OFFICER

30 April 2020

FISHING INDUSTRY MEDICAL SCHEME REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2019.

Registration number: 1271

1. MANAGEMENT

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

Employer Trustees

I Dwayi (Chairperson)
A Hector
R Howarth
T Ndudane

Member Trustees

R Bosch	
M Britz	Resigned: 28 June 2019
A Johnson	
S Nojekwa	
M Shumbainwe	Appointed: 24 June 2019

1.2 Principal Officer

Ms A Sprague

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

1.3 Registered office address and postal address

Fishing Industry Medical Scheme

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

1.4 Medical scheme Administrator

Momentum Health Solutions (Pty) Ltd (formerly MMI Health (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 (formerly MMI Health (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)**

1. MANAGEMENT (CONTINUED)

1.6 Investment managers during the year

Nedgroup Collective Investments Limited

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 Limited

268 West Avenue	PO Box 7400
Centurion	Centurion
0157	0046

Investec Fund Managers SA (RF) (Pty) Limited

100 Grayston Drive	PO Box 785700
Sandown	Sandton
Sandton	2146
2196	

1.7 Actuaries

NMG Consultants and Actuaries (Pty) Limited

Belvedere Office Park	PO Box 3950
Block B	Tygervalley
Pasita Street	7536
Tygervalley	
7536	

1.8 Auditor

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)**

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 2019. In the current year the arrangement caters for all benefits, as covered by the Scheme's benefit design for all members and beneficiaries registered on both options.

3. INVESTMENT POLICY OF THE SCHEME

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

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

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

4. NON-COMPLIANCE MATTERS

The following non-compliance matters arose during 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 non-payment, as well as a loss on interest on these amounts to the Scheme. This relates to outstanding contribution debt of R10,330 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)**

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 applied to the Council for Medical Schemes for 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

	2019	2018
	R	R
The accumulated funds ratio is calculated on the following basis:		
Accumulated funds	15,957,510	14,555,539
Cumulative unrealised gain on investments at fair value through profit and loss	<u>(501,589)</u>	<u>(151,707)</u>
Accumulated funds per Regulation 29 of the Act	<u>15,455,921</u>	<u>14,403,832</u>
Gross contributions per statement of comprehensive income	<u>21,194,518</u>	<u>18,923,174</u>
Accumulated funds ratio	<u>72.92%</u>	<u>76.12%</u>

6. ACTUARIAL SERVICES

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

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

The Scheme holds no investments in, and made no loans to, any participating employers of Scheme members. Refer to note 14 to the financial statements for other related-party transactions.

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

8. AUDIT COMMITTEE

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

- 5 April 2019; and
- 8 November 2019.

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

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

The committee comprises:

- | | | |
|------------------------|------------------------------------|--------------------------|
| - M Britz | Trustee | Resigned: 8 June 2019 |
| - A Hector | Trustee | |
| - A Johnson | Trustee | |
| - S Lawson | Independent member | Appointed: 20 March 2019 |
| - G Nortje | Chairperson and independent member | |
| - T van der Westhuizen | Independent member | |

The above-mentioned members also represent the finance committee.

9. SUBSEQUENT EVENTS

The outbreak of the coronavirus during the last quarter of 2019 has disrupted the global economic markets. In making their estimates and judgements as at 31 December 2019, the Trustees took into consideration the global economic conditions and forecasts as at that date. The Board of Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

The fishing industry is considered an 'essential service', as outlined by the government and, due to this, the Scheme's members continue to work as per normal during the lockdown period imposed by government. Hence, the Scheme expects full contribution income to be collected each month. Furthermore, claims payments are not affected, as the business of the Administrator is also considered as an 'essential service'. Should there be an increase in claims submissions, the Scheme would be well-equipped to make payments. The Scheme is also fully capitated, which means that the Administrator bears the full risk of all claims paid. The Scheme is not exposed to any risk in this regard.

While contribution income and claims paid remains unaffected, the Trustees expect a decrease in the market value of investments due to the effects of the coronavirus pandemic on the global economic markets.

The majority (87%) of the Scheme's assets were invested in cash with 9% exposed to local equity markets. While the cash investments will be largely unaffected, the equity and debenture portion of the investments will decrease. The Sanlam portfolio, in which the Scheme is invested, includes equity and debentures. The market value of the Sanlam investment has decreased by 8% since December 2019 (31 December 2019: R3,907,581; 31 March 2020: R3,596,486). This will not significantly impact the solvency of the Scheme and, while it is expected that healthcare costs for the pandemic will be incurred, the Scheme is fully capitated and the Trustees are of the view that the Scheme is able to withstand the impact.

10. FIDELITY COVER

The Scheme was covered by professional indemnity insurance for the period 1 January 2019 to 31 December 2019. The value of the cover is R3 million and is extended to the Trustees and officers of the Scheme.

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

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:

- The reserve ratio at the end of the year was 72.92%.
- Available cash and investments at the end of the year amounted to R16,437,799.
- The Scheme is fully capitated.

12. PRESCRIBED MINIMUM BENEFIT EXEMPTION

The Scheme has been exempted in terms of Section 8(H) from the provisions of Section 29(1)(o) of the Medical Schemes Act. The exemption is valid until 31 December 2020.

13. BOARD AND SUB-COMMITTEE MEETING ATTENDANCE

The following schedule sets out the number of meetings attended by the Trustees, audit committee members and finance committee members.

Trustee/committee member	Board meetings		Audit committee meetings		Finance committee meetings	
	A	B	A	B	A	B
I Dwayi	4	2	-	-	-	-
R Bosch	4	4	-	-	-	-
M Britz (Resigned: 28 June 2019)	2	-	1	1	2	2
A Hector	4	2	2	1	4	3
R Howarth	4	4	-	-	-	-
A Johnson	4	4	2	1	4	2
S Lawson # (Appointed: 20 March 2019)	-	-	1	1	2	2
T Ndudane (Appointed: 23 August 2019)	2	1	-	-	-	-
S Nojekwa	4	4	-	-	-	-
G Nortje #	-	-	2	2	4	4
M Shumbaimwe (Appointed: 24 June 2019)	2	1	-	-	-	-
T van der Westhuizen #	-	-	2	1	4	3
A Sprague *	4	4	2	2	4	3

A – total possible number of meetings could have attended.

B – actual number of meetings attended.

Independent member/non-Trustee of the audit and finance committee sub-committees

* By invitation in her capacity as Principal Officer

14. OPERATIONAL STATISTICS FOR 2019

	Standard	Primary	Total
Average number of members for the accounting period	845	1,008	1,853
Number of members at the end of the accounting period	868	1,024	1,892
Average number of beneficiaries for the accounting period	1,894	2,358	4,252
Number of beneficiaries at the end of the accounting period	1,957	2,390	4,347
Average age of beneficiaries for the accounting period	26.7	27.0	26.8
Number of members joining the Scheme	148	208	356

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

14. OPERATIONAL STATISTICS FOR 2019 (CONTINUED)

	Standard	Primary	Total
Number of members leaving the Scheme	78	228	306
Dependant ratio	1.3	1.3	1.3
Pensioner ratio	0.61	0.13	0.35
Average contributions per member per month (R)	1,353	618	953
Average contributions per beneficiary per month (R)	604	264	415
Average relevant healthcare expenditure per member per month (R)	1,193	468	799
Average relevant healthcare expenditure per beneficiary per month (R)	532	200	348
Average administration expense per member per month (R)	146	146	146
Average administration expense per beneficiary per month (R)	65	62	64
Average accumulated funds per member at 31 December (R)	N/A	N/A	8,434
Relevant healthcare expenditure as a percentage of contributions	88.2%	75.7%	83.8%
Non-healthcare expenses as a percentage of contributions	10.8%	23.6%	15.3%
Amount paid to Administrator (R)	895,270	1,067,968	1,963,238
Return on investments as percentage of investments	N/A	N/A	6.60%

15. OPERATIONAL STATISTICS FOR 2018

	Standard	Primary	Total
Average number of members for the accounting period	838	923	1,761
Number of members at the end of the accounting period	809	942	1,751
Average number of beneficiaries for the accounting period	1,840	2,208	4,048
Number of beneficiaries at the end of the accounting period	1,799	2,248	4,047
Average age of beneficiaries for the accounting period	26.9	26.8	26.9
Number of members joining the Scheme	165	187	352
Number of members leaving the Scheme	167	132	299
Dependant ratio	1.2	1.4	1.3
Pensioner ratio	0.44	0.09	0.25
Average contributions per member per month (R)	1,228.8	592.9	895.5
Average contributions per beneficiary per month (R)	559.6	247.8	389.6
Average relevant healthcare expenditure per member per month (R)	1,093.6	427.2	744.3
Average relevant healthcare expenditure per beneficiary per month (R)	498.1	178.6	323.8
Average administration expense per member per month (R)	134.1	134.6	134.4
Average administration expense per beneficiary per month (R)	61.1	56.3	58.5
Average accumulated funds per member at 31 December (R)	N/A	N/A	8,313
Relevant healthcare expenditure as a percentage of contributions	89.0%	72.1%	83.1%
Non-healthcare expenses as a percentage of contributions	10.9%	22.7%	15.0%
Amount paid to Administrator (R)	845,588	931,358	1,776,945
Return on investments as percentage of investments	N/A	N/A	6.93%

**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 44, which comprise the statement of financial position as at 31 December 2019, 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 2019, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

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>Outstanding risk claims provision</p> <p>The outstanding risk claims provision of R672,011 at year-end as described in Note 6 to the financial statements, is a provision recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Scheme after year-end.</p> <p>The outstanding risk claims provision is calculated by the Scheme's actuaries which is reviewed by management and the Audit Committee and recommended to the Board of Trustees for approval.</p>	<p>We obtained an understanding from the Scheme's actuaries regarding the process to calculate the outstanding risk claims provision. The actuarial method 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 2019.</p> <p>For a sample of actual claims received by the Scheme in the 2019 financial year, we tested the accuracy of the service and process dates. No material inconsistencies were noted.</p>

*PricewaterhouseCoopers Inc., 5 Silo Square, V&A Waterfront, Cape Town 8002, P O Box 2799, Cape Town 8001
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)

Key audit matter	How our audit addressed the key audit matter
<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. 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 identified this to be a matter of most significance to the audit because of the uncertainty in the projected claims pattern. A change in the projected claims pattern can cause a material change to the amount of the provision.</p>	<p>We substantively tested a sample of claims against the relevant Scheme rules and assessed completeness of the claims data.</p> <p>The claims data that was included in the Scheme's actuarial method was agreed to the above actual claims data with no material inconsistencies noted.</p> <p>To assess the reasonableness of the Scheme actuaries' estimation process, we compared the actual claim results in the current year to the prior year provision. Based on our assessment, the estimation process was considered reasonable.</p> <p>We have evaluated management's experts by assessing their competence, capability, and objectivity and noted no aspects requiring further consideration. We also obtained the outstanding risk claims provision report from the Scheme's actuaries and assessed whether the inputs, assumptions, methodology and findings per the report were consistent with our testing above. Based on the results of our assessment we accepted the inputs, assumptions, methodology and findings as reasonable.</p> <p>We obtained the actual claims run-off report up to 31 March 2020 from the Scheme's management. For a sample of claims from the report, we tested the occurrence and accuracy of the claims as well as the accuracy of the related service dates and we identified no material inconsistencies.</p> <p>We enquired from the Scheme's management whether there were delays in processing claims at year-end that could possibly impact the claims run-off pattern subsequent to year-end. Management confirmed that there were no such delays.</p> <p>We obtained the treatment pre-authorisations approved prior to year-end from management and selected a sample to assess if any of the selected claims were excluded from the actual claims run-off report up to 31 March 2020. No material inconsistencies were noted.</p>

Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the document titled 'Fishing Industry Medical Scheme Annual Financial Statements for the year ended 31 December 2019'. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

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.

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.



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

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 two years.

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: NA Jacobs

Registered Auditor

Cape Town

30 April 2020

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF FINANCIAL POSITION
at 31 December 2019**

	Notes	2019 R	2018 R
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss and money market	2	8,377,108	7,739,960
		8,377,108	7,739,960
Current assets			
Financial assets at fair value through profit or loss and money market	2	10,050,636	8,995,584
Insurance and other receivables	3	5,189,996	2,559,359
Cash and cash equivalents	4	1,989,945	1,729,361
		2,870,695	4,706,864
Total assets		18,427,744	16,735,544
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		15,957,510	14,555,539
		15,957,510	14,555,539
Current liabilities			
Insurance and other payables	5	2,470,234	2,180,005
Outstanding risk claims provision	6	1,798,223	1,596,288
		672,011	583,717
Total funds and liabilities		18,427,744	16,735,544

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019**

	Notes	2019 R	2018 R
Risk contribution income	7	21,194,518	18,923,174
Relevant healthcare expenditure		(17,756,841)	(15,728,778)
Net claims incurred		(14,152,582)	(12,893,648)
Risk claims incurred	8	(14,152,582)	(12,893,648)
Net expense on risk transfer arrangement		(3,604,259)	(2,835,130)
Premiums paid on risk transfer arrangement	9	(17,756,841)	(15,828,093)
Recoveries from risk transfer arrangement	9	14,152,582	12,893,648
Profit share arising from risk transfer arrangement	9	-	99,315
Gross healthcare result		3,437,677	3,194,396
Administration and other expenditure	10	(3,252,492)	(2,839,524)
Net (reversal)/impairment on insurance and other receivables	11	3,638	(319)
Net healthcare result		188,823	354,553
Other income			
Investment income	12	871,810	709,050
Realised gain on investment at fair value through profit and loss	12	1,543	-
Unrealised gain on investment at fair value through profit and loss	12	349,883	92,553
Sundry income	13	70,492	64,079
Investment management fees	12	(80,580)	(62,161)
Net surplus for the year		1,401,971	1,158,074

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2019**

	Total members' funds R
Opening balance for the year ended 31 December 2018	13,397,465
Net surplus for the year	1,158,074
Closing balance for the year ended 31 December 2018	<u>14,555,539</u>
Net surplus for the year	1,401,971
Closing balance for the year ended 31 December 2019	<u><u>15,957,510</u></u>

**FISHING INDUSTRY MEDICAL SCHEME
STATEMENT OF CASH FLOWS
for the year ended 31 December 2019**

	Note	2019 R	2018 R
Cash flows from operating activities			
Cash flows generated from operations before working capital changes	17	614,817	61,042
Working capital changes		(37,470)	1,319,003
- (Increase)/Decrease in insurance and other receivables		(239,405)	925,561
- Increase in insurance and other payables		201,935	393,442
Cash flows after working capital changes		577,347	1,380,045
Interest received		140,722	199,929
Net cash flows from operating activities		718,069	1,579,974
Cash flows utilised in investing activities			
Reinvestment of investment income		(3,267,785)	(535,495)
Interest received		713,546	508,363
Net (decrease)/increase in cash and cash equivalents		(1,836,169)	1,552,842
Cash and cash equivalents at the beginning of the year		4,706,864	3,154,022
Cash and cash equivalents at the end of the year	4	2,870,695	4,706,864

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019**

1. PRINCIPAL ACCOUNTING POLICIES

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

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and in accordance with the requirements of the Medical Schemes Act of South Africa no 131 of 1998 and the applicable Circulars published by the Council for Medical Schemes.

1.1 Basis of preparation

The financial statements provide information about the financial position, results of operations and changes in financial position of the Scheme. These have been prepared under the 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.

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

Use of estimates

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

1.2 Financial instruments

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

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

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

Financial assets

The Scheme classifies its financial assets in the following measurement categories:

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date, i.e. 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, cash on hand and other short-term liquid investments. These deposits can be withdrawn at any time without incurring penalties.

Financial liabilities

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

Offset

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

1.3 Provisions

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

1.4 Outstanding risk claims provision

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

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

1.5 Insurance contracts

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.5 Insurance contracts (continued)

Liabilities and related assets under liability adequacy test

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

1.6 Contribution income

Contributions are received monthly in advance. Net contributions equal gross contributions, as the Scheme has no savings account contributions. Net contributions are earned from the date of attachment of risk and are recognised as revenue.

1.7 Claims incurred

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

Net claims incurred comprise:

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

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

1.8 Risk transfer arrangements

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

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

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.9 Investment income

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

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

Income from collective investment schemes is recognised when received.

1.10 Impairment losses

Impairment of financial assets

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

Expected credit losses

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

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

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

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

Amounts recoverable under risk transfer arrangements

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

Financial assets measured at amortised cost

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

Reversal of impairment losses

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.11 Unclaimed benefits

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

1.12 Reimbursements from the Road Accident Fund (RAF)

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

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

1.13 Relevant healthcare expenditure

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

1.14 Allocation of income and expenditure to benefit options

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

The following items are directly allocated to benefit options:

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

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

- other administration expenditure;
- other income;
- other expenditure;
- administration fees; and
- investment income.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.15 Standards and interpretations

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

Effective date	Standard, amendment, improvement or interpretation	Summary of requirements
Effective for annual periods beginning on or after 1 January 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 that 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 onerous contracts at the point members elect the benefit option for the following year.

2. FINANCIAL ASSETS

	2019	2018
	R	R
Non-current assets		
Financial assets at fair value through profit and loss		
Fair value at the beginning of the year	7,739,960	-
Effect of reclassification of available-for-sale investments through other comprehensive income to financial assets and fair value through profit and loss	-	7,383,523
Reinvestment of investment income	287,265	263,884
Unrealised gain on financial assets at fair value through profit and loss	349,883	92,553
	<u>8,377,108</u>	<u>7,739,960</u>
The investments included above represent investments managed by:		
Sanlam – pooled portfolio	3,907,581	3,580,672
Nedbank – money market	2,247,925	2,092,084
Investec – money market	2,221,602	2,067,204
	<u>8,377,108</u>	<u>7,739,960</u>
Financial assets in a policy of insurance are invested in:		
- bonds, bills and securities	653,207	465,802
- money-market instruments	6,199,182	5,948,342
- shares, debentures and unit trusts	1,524,719	1,325,816
	<u>8,377,108</u>	<u>7,739,960</u>

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

2. FINANCIAL ASSETS (CONTINUED)	2019	2018
	R	R
Current assets		
Financial assets at fair value through profit and loss (continued)		
Fair value at the beginning of the year	2,559,359	-
Effect of reclassification of available-for-sale investments through other comprehensive income to financial assets and fair value through profit and loss	-	2,380,301
Reinvestment of investment income	2,630,637	179,058
	<u>5,189,996</u>	<u>2,559,359</u>
The investment included above is a money-market fund managed by Momentum Investment Managers.		
Financial assets in a policy of insurance are invested in:		
- money-market instruments	5,189,996	2,559,359
	<u>5,189,996</u>	<u>2,559,359</u>
3. INSURANCE AND OTHER RECEIVABLES		
Insurance receivables		
Contributions outstanding	1,243,524	1,087,414
Less: Accumulated impairment losses	(321)	(3,959)
- Carrying amount at the beginning of the year	(3,959)	(3,640)
- Impairment losses reversed/(incurred) during the year	3,638	(319)
	<u>1,243,203</u>	<u>1,083,455</u>
Add: Risk transfer arrangement		
- Share of outstanding claims provision (note 6)	672,011	583,717
	<u>1,915,214</u>	<u>1,667,172</u>
Other receivables		
Sundry accounts receivable	12,500	17,500
Accrued interest	62,231	44,689
	<u>1,989,945</u>	<u>1,729,361</u>
Total insurance and other receivables		
Analysis of movements in respect of risk transfer arrangement		
Balance at the beginning of the year	583,717	972,018
Payments received in respect of prior year	(583,717)	(972,018)
Under provision in prior year	-	-
Adjustments for current year	672,011	583,717
Balance at the end of the year	<u>672,011</u>	<u>583,717</u>

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

4. CASH AND CASH EQUIVALENTS	2019	2018
	R	R
Call accounts	2,128,608	4,094,148
Current accounts	742,087	612,716
	<u>2,870,695</u>	<u>4,706,864</u>

The weighted average effective interest rate on call accounts was 6.00% (2018: 6.35%) and for the current account it was 4.60% (2018: 4.85%).

5. INSURANCE AND OTHER PAYABLES

Insurance payables	1,550,184	1,332,891
Contributions received in advance	23,383	28,132
Risk transfer arrangement premium	1,526,801	1,304,759
Stale cheques	-	-
Other payables	248,039	263,397
Accrued expenses	8,611	37,522
Audit fee accrual	239,428	225,875
	<u>1,798,223</u>	<u>1,596,288</u>

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

6. OUTSTANDING RISK CLAIMS PROVISION

	Covered by risk transfer arrangement
2019	
Provision for outstanding risk claims	<u>672,011</u>
<i>Analysis of movements in outstanding risk claims provision</i>	
Balance at the beginning of the year	583,717
Payments in respect of the prior year	<u>(583,717)</u>
Over provision in respect of the prior year	-
Adjustment for the current year	672,011
Balance at end of the year	<u>672,011</u>
Total outstanding risk claims provision	<u>672,011</u>
2018	
Provision for outstanding risk claims	<u>583,717</u>
<i>Analysis of movements in outstanding risk claims provision</i>	
Balance at the beginning of the year	972,018
Payments in respect of the prior year	<u>(972,018)</u>
Over-provision in respect of the prior year	-
Adjustment for the current year	583,717
Balance at end of the year	<u>583,717</u>
Total outstanding risk claims provision	<u>583,717</u>

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

6. OUTSTANDING RISK CLAIMS PROVISION (CONTINUED)

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.

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 months of the claims run-off period, before the claims turn stale.

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

No further assumptions and sensitivity analysis is therefore provided.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

7. RISK CONTRIBUTION INCOME	2019	2018
	R	R
Contributions	21,194,518	18,923,174
8. NET CLAIMS INCURRED		
Claims incurred in respect of risk transfer arrangement		
Current year claims	13,480,571	12,309,931
Outstanding claims provision (note 6)	672,011	583,717
Adjustment for current year	672,011	583,717
Prior year under-provision	-	-
	<u>14,152,582</u>	<u>12,893,648</u>
Net claims incurred	<u>14,152,582</u>	<u>12,893,648</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.

9. NET EXPENSE ON RISK TRANSFER ARRANGEMENT

Premiums paid on risk transfer arrangement – Momentum Health Solutions (Pty) Ltd	(17,756,841)	(15,828,093)
Less:		
Recoveries from risk transfer arrangement – Momentum Health Solutions (Pty) Ltd	14,152,582	12,893,648
Profit share from risk transfer arrangement – Momentum Health Solutions (Pty) Ltd	-	99,315
Net expense on risk transfer arrangement	<u>(3,604,259)</u>	<u>(2,835,130)</u>

Hospital care for both options, excluding in-hospital cover on the Primary Option, is 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 2019 and 2018 financial years. The risk transfer premiums are charged on a per member and dependant basis.

10. ADMINISTRATION AND OTHER EXPENDITURE

Administrator's fees	1,963,238	1,776,945
Actuarial fees	194,839	95,209
Audit committee fees	10,000	-
Audit fees	240,104	232,674
Bank charges	25,578	21,330
Fidelity insurance	14,317	13,500
Legal fees	13,650	7,200
Levies: Council for Medical Schemes	67,711	63,191
Membership fees	34,203	21,858
Other expenses	7,451	5,151
Principal Officer remuneration	253,312	234,389
Printing, postage and communication	226,504	171,039

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

10. ADMINISTRATION AND OTHER EXPENDITURE (CONTINUED)	2019	2018
	R	R
Rule registration costs	5,665	4,510
Staff costs	172,809	160,355
Telephone	21,841	21,264
Travel and entertainment	1,270	6,409
Trustee honorarium	-	4,500
	<u>3,252,492</u>	<u>2,839,524</u>
11. NET IMPAIRMENT ON INSURANCE AND OTHER RECEIVABLES		
Insurance and other receivables		
Members' and service providers' portions that are not recoverable	3,638	(319)
Movement in accumulated impairments	3,638	(319)
Written off during the year	-	-
	<u>3,638</u>	<u>(319)</u>
12. INVESTMENT INCOME		
Cash and cash equivalents interest income	871,810	709,050
Realised gain on investment	1,543	-
Unrealised gain on investment	349,883	92,553
	<u>1,223,236</u>	<u>801,603</u>
Investment management fees	(80,580)	(62,161)
	<u>1,142,656</u>	<u>739,442</u>
13. SUNDRY INCOME		
Costs recovered from the sick fund	60,000	60,000
Stale cheques written back	10,492	4,079
	<u>70,492</u>	<u>64,079</u>

14. RELATED-PARTY DISCLOSURES

Parties with significant influence over the Scheme

Momentum Health Solutions (Pty) Ltd has significant influence over the Scheme, as it provides financial and operational information on which policy decisions are based, but does not control the Scheme. 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.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

14. RELATED-PARTY DISCLOSURES (CONTINUED)

Key management personnel and their close family members (continued)

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 that have been entered into with related parties for the relevant financial year.

Statement of comprehensive income

	2019	2018
	R	R
Compensation		
Short-term employment benefits	253,312	234,389

Contributions and claims

Risk contributions received – Principal Officer and Trustees	88,616	91,080
Claims incurred – Principal Officer and Trustees	28,949	24,154
Travel expenses – Principal Officer	1,264	6,409

Statement of financial position

No amounts due to or from key management and their family members are included in the statement of financial position at 31 December 2019.

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

Administration fees – Momentum Health Solutions (Pty) Ltd	1,963,238	1,776,945
Risk transfer premiums – Momentum Health Solutions (Pty) Ltd	17,756,841	15,828,093
Recoveries on risk transfer arrangement – Momentum Health Solutions (Pty) Ltd	14,152,582	12,893,648
Profit share on risk transfer arrangement – Momentum Health Solutions (Pty) Ltd	-	99,315
Actuarial fees – NMG Consultants and Actuaries (Pty) Ltd	194,839	95,209

Statement of financial position

Risk transfer arrangement recoveries receivable – Momentum Health Solutions (Pty) Ltd	672,011	583,717
Risk transfer premium fees due – Momentum Health Solutions (Pty) Ltd	(1,526,801)	(1,304,759)
Postage due – Momentum Health Solutions (Pty) Ltd	6,386	19,765

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

14. RELATED-PARTY DISCLOSURES (CONTINUED)

Terms and conditions of the actuarial contract

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

Terms and conditions of the risk transfer arrangement

The risk transfer agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is reviewed annually and was renewed for 2019. The risk transfer premiums are charged on a per member and dependant basis.

15. GUARANTEES AND COMMITMENTS

The Scheme has not provided any guarantees or commitments.

16. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

	Standard	Primary	Total
2019	R	R	R
Risk contribution income	13,718,139	7,476,379	21,194,518
Relevant healthcare expenditure	(12,098,246)	(5,658,596)	(17,756,842)
Net claims incurred	(9,341,203)	(4,811,379)	(14,152,582)
Risk claims incurred	(9,341,203)	(4,811,379)	(14,152,582)
Net expense on risk transfer arrangement	(2,757,043)	(847,217)	(3,604,260)
Premiums paid on risk transfer arrangement	(12,098,246)	(5,658,596)	(17,756,842)
Recoveries from risk transfer arrangement	9,341,203	4,811,379	14,152,582
Gross healthcare result	1,619,893	1,817,783	3,437,676
Administration and other expenditure	(1,483,919)	(1,768,573)	(3,252,492)
Net impairment on insurance and other receivables	1,648	1,990	3,638
Net healthcare result	137,622	51,200	188,822
Other income			
Investment income	558,651	664,584	1,223,235
Sundry income	32,233	38,260	70,493
Management fees	(36,774)	(43,805)	(80,579)
Net surplus for the year	691,732	710,239	1,401,971

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

16. SURPLUS FROM OPERATIONS PER BENEFIT OPTION (CONTINUED)

	Standard	Primary	Total
2018	R	R	R
Risk contribution income	12,356,490	6,566,684	18,923,174
Relevant healthcare expenditure	(10,997,479)	(4,731,299)	(15,728,778)
Net claims incurred	(8,703,799)	(4,189,849)	(12,893,648)
Risk claims incurred	(8,703,799)	(4,189,849)	(12,893,648)
Net expense on risk transfer arrangement	(2,293,680)	(541,450)	(2,835,130)
Premiums paid on risk transfer arrangement	(11,045,411)	(4,782,682)	(15,828,093)
Recoveries from risk transfer arrangement	8,703,799	4,189,849	12,893,648
Profit share	47,932	51,383	99,315
Gross healthcare result	1,359,011	1,835,385	3,194,396
Administration and other expenditure	(1,348,623)	(1,490,901)	(2,839,524)
Net impairment on insurance and other receivables	(182)	(137)	(319)
Net healthcare result	10,206	344,347	354,553
Other income			
Investment income	379,849	421,755	801,604
Sundry income	30,522	33,556	64,078
Management fees	(29,576)	(32,585)	(62,161)
Net surplus for the year	391,001	767,073	1,158,074

17. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES

	2019	2018
	R	R
Net surplus for the year	1,401,971	1,158,074
Adjustments for:		
- Decrease/(Increase) in outstanding claims provision	88,294	(388,301)
- Interest income	(871,810)	(709,050)
- Impairment on insurance and other receivables	(3,638)	319
Cash flows generated by operations before working capital changes	614,817	61,042

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.

Frequency and severity of claims

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

Source of uncertainty in the estimation of future claims payments

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

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

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

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

18. INSURANCE RISK MANAGEMENT (CONTINUED)

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.

2019

Age grouping (in years)	Number of beneficiaries		
	Primary	Standard	Total
< 24	1,053	845	1,898
25 – 34	366	430	796
35 – 49	761	479	1,240
50 – 64	207	191	398
> 65	3	12	15
Total	2,390	1,957	4,347

2018

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

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.

2019

Age grouping (in years)	General practitioners (R)	Specialists (R)	Dentistry (R)	Medicines (R)	Hospital (R)	Optical (R)	Total (R)
< 26	-	-	-	-	-	-	-
26 – 35	-	-	-	-	-	-	-
36 – 50	-	-	-	-	-	-	-
51 – 65	-	-	-	-	-	-	-
> 65	-	-	-	-	-	-	-
Momentum Health Solutions (Pty) Ltd Movement in IBNR provision	6,093,768	1,120,384	817,943	586,359	3,812,443	1,049,674	13,480,571
	303,776	55,851	40,775	29,230	190,052	52,327	672,011
Total	6,397,544	1,176,235	858,718	615,589	4,002,495	1,102,001	14,152,582

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

18. INSURANCE RISK MANAGEMENT (CONTINUED)

Concentration of insurance risk (continued)

2018

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

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 receive pre-authorised treatment for certain medical conditions and immediate emergency treatment where authorisation is given after treatment.

19. ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

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

An assumption concerning the future that has a risk of causing an adjustment to the carrying amounts of liabilities is used to determine the provision for outstanding claims (note 6).

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

Although an assumption was used, it is not viewed as critical as after the statement of financial position settlements against the provision have been monitored to ensure reasonability of the original provision.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

20. FINANCIAL RISK MANAGEMENT

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

2019	Loans and other receivables (R)	Financial asset (R)	Financial liabilities measured at amortised cost (R)	Insurance receivables and payables (R)
Investments	-	13,567,104	-	-
Cash and cash equivalents	2,870,695	-	-	-
Insurance and other receivables				
- <i>Insurance receivables</i>	-	-	-	1,915,214
- <i>Other receivables</i>	74,731	-	-	-
Insurance and other payables				
- <i>Insurance payables</i>	-	-	-	1,550,184
- <i>Other payables</i>	-	-	248,039	-
Outstanding claims provision	-	-	-	-
	2,945,426	13,567,104	248,039	3,465,398

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

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

Risk management

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

Liquidity risk

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

At year end 43.7% (2018: 43.4%) of the Scheme's assets were invested in cash and cash equivalents to ensure that the Scheme can meet its short-term liabilities. The following table illustrates the prudent liquidity position of the Scheme:

	Up to 1 month	2 to 3 months	4 to 12 months	Over 1 year	Total
	R	R	R	R	R
2019					
Outstanding claims provision	505,853	166,158	-	-	672,011
Insurance payables					
- Contributions received in advance	23,383	-	-	-	23,383
- Risk transfer arrangement premiums due	1,526,801	-	-	-	1,526,801
Other payables	8,611	-	239,428	-	248,039
Total liabilities	2,064,648	166,158	239,428	-	2,470,234
Cash and cash equivalents	-	-	-	-	2,870,695
Excess liquidity	-	-	-	-	400,461

	Up to 1 month	2 to 3 months	4 to 12 months	Over 1 year	Total
	R	R	R	R	R

2018

Outstanding claims provision	438,422	145,295	-	-	583,717
Insurance payables					
- Contributions received in advance	28,132	-	-	-	28,132
- Risk transfer arrangement premiums due	1,304,759	-	-	-	1,304,759
Other payables	37,522	132,825	93,050	-	263,397
Total liabilities	1,808,835	278,120	93,050	-	2,180,005
Cash and cash equivalents	-	-	-	-	4,706,864
Excess liquidity	-	-	-	-	2,526,858

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	Credit rating – Moody's deposit ratings			
	2019	2018	2019	2018
	R	R		
Standard Bank of South Africa Ltd	2,870,695	4,706,864	Baa3	Baa3

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

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

	Neither past due, nor impaired	Past due, not impaired	Impaired	Total carrying amount
2019	R	R	R	R
Insurance and other receivables	1,979,936	10,008	-	1,989,944
Insurance receivables	1,905,206	10,008	321	1,915,535
- Contributions outstanding	1,233,195	10,008	321	1,243,524
- Accounts recoverable from members and providers	-	-	-	-
- Outstanding claims provision on risk transfer arrangement	672,011	-	-	672,011
- Accumulated impairment losses	-	-	(321)	(321)
- Other receivables	74,731	-	-	74,731
Cash and cash equivalents	2,870,695	-	-	2,870,695
Total	4,850,631	10,008	-	4,860,639

2018

Insurance and other receivables	1,723,572	5,789	-	1,729,361
Insurance receivables	1,661,383	5,789	3,959	1,671,131
- Contributions outstanding	1,077,666	5,789	3,959	1,087,414
- Accounts recoverable from members and providers	-	-	-	-
- Outstanding claims provision on risk transfer arrangement	583,717	-	-	583,717
- Accumulated impairment losses	-	-	(3,959)	(3,959)
- Profit share receivable	-	-	-	-
- Other receivables	62,189	-	-	62,189
Cash and cash equivalents	4,706,864	-	-	4,706,864
Total	6,430,436	5,789	-	6,436,225

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Age analysis of past due amounts:

	30 days	60 days	90 days	Total
2019	R	R	R	R
- Contributions outstanding	5,478	3,235	1,295	10,008
- Accounts recoverable from members and providers	-	-	-	-
Past due total	5,478	3,235	1,295	10,008

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

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 marketplace. Equities are reflected at market values, which are susceptible to fluctuations.

Should the South African equities market change by 10% (increase or decrease) (2018:10%), 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 will be as follows:

	2019	2018
	R	R
Equity	152,472	132,582

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.

**FISHING INDUSTRY MEDICAL SCHEME
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019 (continued)**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation

The fair value of the financial asset is based on quoted published prices at the statement of financial position date.

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

As at 31 December 2019	Level 1	Level 2	Level 3	Reclassification
	R	R	R	R
Financial assets through profit and loss	-	-	-	-
Collective investment schemes	3,907,581	-	-	-
Money market	9,659,523	-	-	-
Total	13,567,104	-	-	-

As at 31 December 2018	Level 1	Level 2	Level 3	Reclassification
	R	R	R	R
Available-for-sale financial assets	-	-	-	-
Collective investment schemes	3,580,672	-	-	-
Money market	6,718,648	-	-	-
Total	10,299,319	-	-	-

The hierarchy levels are defined as follows:

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

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

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

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

Unconsolidated investment structures

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

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

Fund	As at 31 December 2019		As at 31 December 2018	
	Fair value (R)	% exposure in terms of Regulation 30	Fair value (R)	% exposure in terms of Regulation 30
Sanlam Absolute Return	3,907,580	23.77%	3,580,672	23.86%
Investec Money-Market Fund	2,221,603	13.52%	2,067,205	13.78%
Nedgroup Investments Money-Market Fund	2,247,925	13.68%	2,092,085	13.94%
Momentum Money-Market Fund	5,189,996	31.57%	2,559,359	17.06%

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

Interest rate risk

The Scheme invests 95.49% of all investments in interest-bearing instruments. This exposes the Scheme to fluctuations in the interest rate market.

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

	Up to 1 month	Total
2019	R	R
Financial asset	8,377,108	8,377,108
Cash and cash equivalents	2,870,695	2,870,695
Total	11,247,803	11,247,803

	Up to 1 month	Total
2018	R	R
Financial asset	7,739,960	7,739,960
Cash and cash equivalents	4,706,864	4,706,864
Total	12,446,824	12,446,824

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 2019 would result in a decrease in members' funds of R164,378 (2018: R150,062).

An increase of 100 basis points in interest yield at 31 December 2019 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 72.92% at 31 December 2019 and 76.12% at 31 December 2018, 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 outstanding contribution debt of R10,330 at year-end.

21. NON-COMPLIANCE MATTERS (CONTINUED)

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

Causes of 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 applied 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

The outbreak of the coronavirus during the last quarter of 2019 has disrupted the global economic markets. In making their estimates and judgements as at 31 December 2019, the Trustees took into consideration the global economic conditions and forecasts as at that date. The Board of Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

The fishing industry is considered an 'essential service', as outlined by the government, and due to this the Scheme's members continue to work as per normal during the lockdown period imposed by government. Hence, the Scheme expects full contribution income to be collected each month. Furthermore, claims payments are not affected, as the business of the Administrator is also considered an 'essential service'. Should there be an increase in claims submitted, the Scheme would be well-equipped to make payments. The Scheme is also fully capitated, which means that the Administrator bears the full risk of all claims paid. The Scheme is not exposed to any risk in this regard.

While contribution income and claims paid remain unaffected, the Trustees expect a decrease in the market value of investments due to the effects of the coronavirus pandemic on the global economic markets.

The majority (87%) of the Scheme's assets were invested in cash, with 9% exposed to local equity markets. While the cash investments will be largely unaffected, the equity and debenture portion of the investments will decrease. The Sanlam portfolio, in which the Scheme is invested, includes equity and debentures. The market value of the Sanlam investment has decreased by 8% since December 2019 (31 December 2019: R3,907,581; 31 March 2020: R3,596,486). This will not significantly impact the solvency of the Scheme and, while it is expected that healthcare costs for the pandemic will be incurred, the Scheme is fully capitated and the Trustees are of the view that the Scheme is able to withstand these impacts.

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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 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:

- The reserve ratio at the end of the year was 72.92%.
- Available cash and investments at the end of the year amounted to R16,437,799.
- The Scheme is fully capitated.