

# **GENESIS MEDICAL SCHEME**

Registration No. 339

## **SUMMARISED FINANCIAL STATEMENTS**

**31 DECEMBER 2015**

**GENESIS MEDICAL SCHEME**

**SUMMARISED FINANCIAL STATEMENTS**

**For the year ended 31 December 2015**

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**GENESIS MEDICAL SCHEME****SUMMARISED FINANCIAL STATEMENTS****For the year ended 31 December 2015**

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**STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES**

The trustees are responsible for the preparation, integrity and fair presentation of the summarised financial statements of Genesis Medical Scheme, comprising the statement of financial position at 31 December 2015, the statement of comprehensive income, the statement of changes in funds and reserves, the cash flow statement for the year then ended, and the notes to the financial statements. The notes include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act 131 of 1998, as amended.

The trustees' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The trustees' responsibility also includes maintaining adequate accounting records and an effective system of risk management. The trustees have ultimate responsibility for the system of internal controls.

The trustees are satisfied that the information contained in the summarised financial statements fairly presents the financial performance for the year and the financial position of the Scheme at year end. The trustees also prepared the other information included in the summarised report and are responsible for both its accuracy and its consistency with the financial statements.

Genesis Medical Scheme operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

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

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

**Approval of summarised financial statements**

The summarised financial statements have been derived from the annual financial statements of Genesis Medical Scheme which were approved by the Board of Trustees on 15 April 2016.

## **STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES**

The Genesis Medical Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The trustees are proposed and elected by the members of the Scheme.

### **BOARD OF TRUSTEES**

The trustees meet regularly and monitor the administration of the Scheme. 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 CONTROL**

The Scheme maintains internal controls and systems designed 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 Audit Committee assists the Board of Trustees in discharging their corporate governance responsibility. This committee aids the Board in giving attention to specific areas of the Board's duties and responsibilities without mitigating or dissipating the Board's overall discharge of its responsibilities.

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

The summary financial statements of Genesis Medical Scheme, as set out on pages 13 to 22, which comprise the summary statement of financial position at 31 December 2015, and the summary statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and related notes, are derived from the audited financial statements of Genesis Medical Scheme for the year ended 31 December 2015. We expressed an unmodified audit opinion on those financial statements in our report dated 15 April 2016.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Genesis Medical Scheme.

*Trustees' Responsibility for the Summary Financial Statements*

The trustees are responsible for the preparation of a summary of the audited financial statements in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance International Standards on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

*Opinion*

In our opinion, the summary financial statements derived from the audited financial statements of Genesis Medical Scheme for the year ended 31 December 2015 are consistent, in all material respects, with those financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.



PricewaterhouseCoopers Inc.

Director: Z Abrahams

Registered Auditor

Cape Town

Date: 06 May 2016

**GENESIS MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES****For the year ended 31 December 2015**


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

**1. MANAGEMENT**

- 1.1 **Board of Trustees in office during the year under review**  
 Mr. JF Klopper Chairman  
 Mr. D Welsh Trustee  
 Mr. R Metz Trustee  
 Mr. LDR van der Merwe Trustee  
 Ms. H Kruger Trustee (*Co-Opted – 01 Sep 2015*)  
 Ms. AC Gouws Trustee (*Resigned – 19 Jun 2015*)
- 1.2 **Principal Officer**  
 Mr. D van der Merwe
- 1.3 **Audit Committee**  
 Mr. S Burgess External – Chairperson  
 Mr. JF Klopper Trustee  
 Ms. K De Brauwere External – Scheme member
- 1.4 **Registered office address and postal address**  
 4<sup>th</sup> Floor, The Terraces PO Box 5467  
 Black River Park Cape Town  
 Fir Street 8000  
 Observatory  
 7925
- 1.5 **Medical scheme administrator during the year**  
 The Scheme is self administered.
- 1.6 **Bankers**  
 Nedbank  
 PO Box 688  
 Cape Town  
 8000
- 1.7 **Auditors**  
 PricewaterhouseCoopers Inc. PO Box 2799  
 No 1 Waterhouse Place Cape Town  
 Century City 8000  
 7441
- 1.8 **Registration Number**  
 339

## 2. DESCRIPTION OF SCHEME

### 2.1 Terms of registration

Genesis Medical Scheme is a not for profit open medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended.

### 2.2 Benefit options within Genesis Medical Scheme

The Scheme offered the following benefit options to members during the year:

- **Private Choice**, is a benefit option that provides members with statutory cover, hospitalisation and dental cover;
- **Private**, is a benefit option that provides members with statutory cover, hospitalisation, major medical illnesses cover and dental cover;
- **Private Plus**, is a benefit option that provides members with statutory cover, hospitalisation, major medical illnesses cover, dental cover and a medical savings account; and
- **Private Comprehensive**, is a benefit option that provides members with statutory cover, hospitalisation, major medical illnesses cover, dental cover, consultation benefit, prescribed medicines benefit and a medical savings account.

### 2.3 Savings plan

In order to provide a facility for Scheme members to set funds aside to meet future healthcare costs not covered in the benefit options, the trustees have made the savings plan options available to meet this objective.

Members that belong to the Private Plus and Private Comprehensive benefit options pay an agreed sum, limited to 18% and 11% respectively, of their gross contributions, into a savings account so as to help pay the members' portion of healthcare costs, up to a prescribed threshold.

Unexpended savings amounts are accumulated for the long-term benefit of the member.

The liability to the members in respect of the savings plan is reflected as a financial liability in the financial statements, as provided in terms of section 35(9)(c) of the Act and repayable in terms of regulation 10 of the Act. Savings plans are operated strictly in terms of the rules of the Scheme.

### 2.4 Risk transfer arrangements

The Scheme had no risk transfer arrangements in place during the year under review.

## 3. INVESTMENT POLICY OF THE SCHEME

The Scheme's investment objectives are to maximise the return on its investments on a long term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees.

The Scheme continued to invest in low risk listed equities that seek capital growth rather than income yield to maximise its return in the long term.

The Scheme invested in fixed deposits, cash instruments and listed equities during 2015. This investment policy is reviewed regularly, taking into consideration compliance with the Act, the risk and returns of the various investment instruments and the surplus of funds available.

#### 4. REVIEW OF THE YEAR'S ACTIVITIES

##### 4.1 Operational statistics

AS AT 31 December 2015	Private Choice	Private	Private Plus	Private Comprehensive	Total
Number of members at year end	1,831	3,244	2,141	1,376	8,592
Number of beneficiaries at year end	3,929	8,660	5,286	3,613	21,488
Average number of members for the year	1,681	3,254	2,113	1,344	8,392
Average number of beneficiaries for the year	3,595	8,760	5,248	3,550	21,153
Average age of beneficiaries for the year	29.3	36.1	33.2	32.6	33.5
Pensioner ratio (beneficiaries > 65 years)	2.77%	9.38%	5.60%	5.65%	6.61%
Average accumulated funds per member at year end					R46,559
Dependant ratio to members at year end	1.15	1.67	1.47	1.63	1.50
Average net contributions per member per month	1,458	2,656	2,429	3,147	2,438
Average net contributions per beneficiary per month	682	987	978	1,191	967
Average risk claims per member per month	(824)	(2,066)	(1,734)	(2,515)	(1,805)
Average risk claims per beneficiary per month	(385)	(767)	(698)	(952)	(716)
Average administration costs per member per month	(177)	(322)	(350)	(424)	(316)
Average administration costs per beneficiary per month	(83)	(119)	(141)	(160)	(125)
Net risk claims as a percentage of net contributions	57%	78%	71%	80%	74%
Administration costs as a percentage of gross contributions	12.11%	12.11%	12.11%	12.11%	12.11%

AS AT 31 December 2014	Private Choice	Private	Private Plus	Private Comprehensive	Total
Number of members at year end	1,514	3,269	2,098	1,227	8,108
Number of beneficiaries at year end	3,211	8,980	5,280	3,276	20,747
Average number of members for the year	1,346	3,293	2,074	1,202	7,915
Average number of beneficiaries for the year	2,872	9,162	5,207	3,231	20,472
Average age of beneficiaries for the year	29.1	35.3	32.6	33.0	33.3
Pensioner ratio (beneficiaries > 65 years)	3.02%	8.71%	5.23%	5.37%	6.42%
Average accumulated funds per member at year end					R42,686
Dependant ratio to members at year end	1.12	1.75	1.52	1.67	1.56
Average net contributions per member per month	1,380	2,515	2,291	2,983	2,334
Average net contributions per beneficiary per month	647	904	913	1,110	903
Average risk claims per member per month	(777)	(1,802)	(1,631)	(2,869)	(1,745)
Average risk claims per beneficiary per month	(364)	(648)	(650)	(1,067)	(675)
Average administration costs per member per month	(182)	(332)	(303)	(394)	(309)
Average administration costs per beneficiary per month	(85)	(119)	(121)	(147)	(119)
Net risk claims as a percentage of net contributions	56%	72%	71%	96%	75%
Administration costs as a percentage of gross contributions	12.29%	12.29%	12.29%	12.29%	12.29%

#### 4.2 Results of operations

The results of the Scheme are clearly set out in the financial statements, and the Board of Trustees believe that no further clarification is required.

#### 4.3 Accumulated funds ratio (Solvency level)

	2015 R	2014 R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per Statement of financial position	437,868,567	384,559,302
Less: Unrealised gains	(37,832,574)	(38,461,103)
Accumulated funds per Regulation 29	400,035,993	346,098,199

Gross annual contribution income (GCI)	262,895,236	238,474,359
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Accumulated funds ratio:

$$\frac{\text{Accumulated funds}}{\text{GCI}} \times 100\%$$

= Accumulated funds ratio per Regulation 29 (1) of the Act	152%	145%
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The basis used above is in line with the provisions of the Act (Section 35 and Regulation 29(1)). On the basis that contributions to members' individual savings accounts are excluded from gross contributions, the solvency level of the Scheme increases to:

	163%	156%
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#### 4.4 Reserve accounts

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves. There have been no unusual movements that the Board of Trustees believe should be brought to the attention of the members of the Scheme.

#### 4.5 Outstanding claims

Movements on the outstanding claims provision are set out in Note 8 to the annual financial statements. There have been no unusual movements that the Board of Trustees believe should be brought to the attention of the members of the Scheme.

The Board of Trustees is of the opinion that adequate provision has been made for claims incurred but not intimated to the Scheme at the year end.

## 5. POST STATEMENT OF FINANCIAL POSITION EVENT

There have been two non-adjusting events that occurred subsequent to the financial year end. In the two court cases below, judgments were handed down against Genesis and the scheme still awaits the finalisation of costs to be taxed. The details of the cases are stated below.

### *The Council for Medical Schemes & Another v Genesis Medical Scheme*

The case involved a member that lodged a claim for benefits not provided for in the registered rules of the Scheme. The Registrar of Medical Schemes intervened on the member's behalf and the matter went on appeal before the Appeal Committee of the Council for Medical Schemes (CMS). The Appeal Committee ruled against Genesis and an appeal was argued before the Appeal Board of the CMS. An adverse finding by the Appeal Board was taken on review to the Cape High Court which ruled in favour of Genesis and awarded costs to the Scheme. The CMS was granted leave to appeal and the matter was argued before the Supreme Court of Appeal (SCA) during 2015.

The SCA found in favour of the CMS and awarded costs against Genesis. Genesis petitioned the Constitutional Court for leave to appeal and this was refused with costs. The amount of costs awarded against Genesis is still to be determined and taxed by the Courts. The date of judgement was 17 February 2016.

### *Genesis v The Minister of Health*

In the matter between Genesis and the Minister of Health in regard to Regulation 8 to the Medical Schemes Act, nine parties lodged an application to intervene in the main application. The Scheme launched an appeal in the Cape High Court to restrict the intervening parties to those that have a direct and substantial interest in the matter.

The Cape High Court handed down judgement finding against Genesis effectively permitting any person at all to intervene with or without cause. An appeal to the SCA and the Constitutional Court, on the issue of intervention, was unsuccessful and the Courts awarded costs against Genesis. The amount of costs awarded against Genesis is still to be determined and taxed by the Courts. The date of judgement was 29 February 2016.

## 6. GUARANTEES RECEIVED BY THE SCHEME FROM A THIRD PARTY

No guarantees were received by the Scheme from a third party during the year.

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

The Scheme holds no investments in participating employers of the Scheme.

## 8. AUDIT COMMITTEE

The Scheme has an established audit committee, in accordance with provisions of the Medical Schemes Act of 1998, as amended. The committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The committee consists of three members of which one is a member of the Board of Trustees. The majority of the committee members are not officers of the Scheme. The committee met on four occasions during the year.

The Chairman of the Scheme and the external auditors have unrestricted access to the Chairman 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 composition of the committee is noted under item 1.3.

## 9. ACTUARIAL VALUATION

In the Board of Trustees' opinion, an actuarial valuation is not required for the Scheme.

## 10. GENERAL

### **Governance and issues of non-compliance**

The Scheme is governed by a board of independent, professional trustees elected by members. The business of the Scheme is managed by a team of executive managers.

#### Late payment of claims

In terms of section 59(2) of the Medical Schemes Act, a medical scheme shall pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme. This requirement was not met in certain instances due to issues of timing. The scheme reimburses claims once a month, at the end of the month. The instances of non-compliance occurred as a result of differences in timing between the date of receipt and the next scheduled payment of claims.

The issues of non-compliance as referred to above, relates to an insignificant number of claims that does not warrant the financially prejudicial cost of scheduling an additional claims payment date.

### **Legal matters**

During the year under review, the Scheme, in its on-going attempt to ensure that the rights of all members are protected, found itself involved in several legal matters that were argued before the courts. The following cases were dealt with during the financial year:

#### *The Council for Medical Schemes & Another v Genesis Medical Scheme*

The case involved a member that lodged a claim for benefits not provided for in the registered rules of the Scheme. The Registrar of Medical Schemes intervened on the member's behalf and the matter went on appeal before the Appeal Committee of the Council for Medical Schemes (CMS). The Appeal Committee ruled against Genesis and an appeal was argued before the Appeal Board of the CMS. An adverse finding by the Appeal Board was taken on review to the Cape High Court which ruled in favour of Genesis and awarded costs to the Scheme. The CMS was granted leave to appeal and the matter was argued before the Supreme Court of Appeal (SCA) during 2015.

The SCA found in favour of the CMS and awarded costs against Genesis. Genesis petitioned the Constitutional Court for leave to appeal and this was refused. The effect of the SCA judgement has created confusion due, in no small part, to the fact that the judgement appears to directly contradict an earlier SCA judgement in the matter of *Sechaba Medical Solutions & others v Sekete & others* where the SCA held that the rules of a medical scheme were binding. In the CMS matter involving Genesis, the SCA held that the Medical Schemes Act has binding effect when in conflict with the rules.

*Genesis v the Registrar of Medical Schemes and the Council for Medical Schemes*

The Registrar of Medical Scheme (the Registrar) rejected Genesis' 2012 audited annual financial statements on the grounds that the financial statements did not comply with Circular 38 and Circular 5 issued by the Registrar. The Registrar's circulars are based on the so-called Omnihealth judgement. Genesis took the decision of the Registrar on review to the Cape High Court that ruled in favour of Genesis and awarded cost in the Scheme's favour.

The Registrar applied for leave to appeal which was granted by the Cape High Court with the agreement of Genesis. The Scheme is of the view that with two opposing judgements of the High Court that deal with the same subject matter, a final decision of the Supreme Court of Appeal is appropriate.

The appeal is expected to be argued during 2016.

*Genesis v The Registrar of Medical Schemes and the Council for Medical Schemes*

During 2012, Genesis appealed, in terms of section 48 of the Medical Schemes Act (the MSA), against three rulings of the Registrar. The Appeals Committee ruled against Genesis and decreed that the appeal should have been lodged in terms of section 49 of the MSA. The Appeal Board agreed with the Appeals Committee and Genesis took the matter on review to the Cape High Court.

The Cape High Court found in favour of Genesis and awarded costs in favour of Genesis. An application by the Registrar for leave to appeal was refused by the High Court.

The Registrar then launched an application to the Supreme Court of Appeal for leave to appeal. The SCA refused the Registrar leave to appeal. The Registrar has since launched a petition to the Constitutional Court for leave to appeal the outcome of which is not yet known.

*Genesis v The Minister of Health*

Genesis has long held the view that the promulgation of regulation 8 to the MSA was *ultra vires* the powers of the Minister of Health. Regulation 8(1) is being interpreted by the Registrar to mean that medical schemes must settle the claims of PMB in full no matter what the providers' charge – an interpretation that is clearly untenable whilst attempting to maintain affordable contributions. The Trustees are of the view, amply supported by the opinions of several Senior Legal Counsel, that such an interpretation is contrary to what was intended by Parliament and the provisions of section 29(1)(p) of the MSA and, as such, is a cause of additional cost to the Scheme. Genesis has launched an application in the Cape High Court to have regulation 8 repealed. The Minister of Health has given notice that he will not oppose the application.

Since launching the application, Genesis has faced several challenges from mostly service providers to intervene in the application for purposes, seemingly, of protecting their income should the Court find in favour of Genesis. The Cape High Court handed down judgement finding against Genesis and, in effect, permitting any citizen of South Africa to intervene in the matter. An appeal to the SCA and the Constitutional Court, on the issue of intervention, was unsuccessful and so the matter will proceed to be argued before the Cape High Court.

Genesis' application was launched on two bases being a challenge to the legal power of the Minister and, in the alternative, that the promulgation of regulation 8 was irrational. The recent judgements of the courts may result in a review of the alternative basis of the application.

## Operations

The Trustees once again record their thanks and appreciation to the management and staff of Genesis that have performed so well during the year. Not only has the Scheme returned another strong financial performance, but the staff continued to receive many compliments from members regarding their excellent service and caring attitude.

### 11. TRUSTEE MEETING ATTENDANCE AND REMUNERATION

The following schedule sets out Board of Trustees and Audit Committee meeting attendances by members. Trustee fees are disclosed in Note 13 to the annual financial statements.

Trustee/Sub-Committee Member	Board Meetings		Audit Committee Meetings	
	A	B	A	B
JF Klopper	6	6	4	4
D Welsh	6	6		
R Metz	6	6		
LDR Van der Merwe	6	6		
AC Gouws *	3	2		
H Kruger ^	3	3		
S Burgess			4	4
K De Brauwere			4	4

A – Possible number of meetings could have attended

B – Actual number of meetings attended

\* – Resigned 19 June 2015

^ – Co-opted 1 September 2015

The Trustees' report was approved by the Board of Trustees on 15 April 2016.

## GENESIS MEDICAL SCHEME

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 R	2014 R
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>		<b>139,882,309</b>	<b>117,850,975</b>
Property, plant and equipment		683,480	603,449
Financial assets - investments		139,198,829	117,247,526
<b>Current assets</b>		<b>341,208,071</b>	<b>304,174,397</b>
Trade and other receivables		3,173,845	2,956,560
Cash and cash equivalents		338,034,226	301,217,837
<b>Total assets</b>		<b>481,090,380</b>	<b>422,025,372</b>
<b><u>FUNDS AND LIABILITIES</u></b>			
<b>Members' funds</b>		<b>437,868,567</b>	<b>384,559,302</b>
Accumulated funds		400,035,993	346,098,199
Revaluation reserve - investments		37,832,574	38,461,103
<b>Current liabilities</b>		<b>43,221,813</b>	<b>37,466,070</b>
Savings plan liability		8,503,321	9,160,247
Trade and other payables		19,973,513	8,985,147
Outstanding claims provision	<b>3</b>	14,744,979	19,320,676
<b>Total funds and liabilities</b>		<b>481,090,380</b>	<b>422,025,372</b>

**GENESIS MEDICAL SCHEME****STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2015

	Note	2015 R	2014 R
<b>Net contribution income</b>	<b>4</b>	<b>245,447,121</b>	<b>221,716,999</b>
<b>Relevant healthcare expenditure</b>		<b>(181,811,504)</b>	<b>(165,757,812)</b>
Net claims incurred		<b>(181,811,504)</b>	<b>(165,757,812)</b>
Claims incurred		(182,045,917)	(169,275,360)
Third party claim recoveries		234,413	3,517,548
<b>Gross healthcare result</b>		<b>63,635,617</b>	<b>55,959,187</b>
Broker service fees		(2,106,292)	(2,116,227)
Administration costs		(31,842,468)	(29,307,733)
Trustees fees		(393,267)	(357,242)
Net impairment losses on healthcare receivables		(101,575)	(23,307)
<b>Net healthcare result</b>		<b>29,192,015</b>	<b>24,154,678</b>
<b>Other income</b>		<b>24,745,779</b>	<b>23,147,298</b>
Investment income	<b>5</b>	24,637,860	23,046,337
Other income		107,919	100,961
<b>Net surplus for the year</b>		<b>53,937,794</b>	<b>47,301,976</b>
<b>Other comprehensive (expense) / income</b>		<b>(628,529)</b>	<b>5,566,798</b>
Fair value adjustment on available-for-sale investments		(628,529)	5,566,798
<b>Total comprehensive income for the year</b>		<b>53,309,265</b>	<b>52,868,774</b>

**GENESIS MEDICAL SCHEME****STATEMENT OF CHANGES IN FUNDS AND RESERVES**

For the year ended 31 December 2015

	<b>Revaluation reserve R</b>	<b>Accumulated funds R</b>	<b>Total members' funds R</b>
<b>Balance as at 31 December 2013</b>	<b>32,894,305</b>	<b>298,796,223</b>	<b>331,690,528</b>
Net surplus for the year	-	47,301,976	47,301,976
Revaluation reserve	5,566,798	-	5,566,798
<b>Balance as at 31 December 2014</b>	<b>38,461,103</b>	<b>346,098,199</b>	<b>384,559,302</b>
Net surplus for the year	-	53,937,794	53,937,794
Revaluation reserve	(628,529)	-	(628,529)
<b>Balance as at 31 December 2015</b>	<b>37,832,574</b>	<b>400,035,993</b>	<b>437,868,567</b>

**GENESIS MEDICAL SCHEME****STATEMENT OF CASH FLOWS**

For the year ended 31 December 2015

	<b>2015 R</b>	<b>2014 R</b>
<b>Cash flows from operating activities</b>		
Cash flows from operations before working capital changes	29,636,941	24,611,541
Working capital changes:		
(Increase) in trade and other receivables	(328,428)	(930,310)
Increase in trade and other payables	10,988,366	2,418,580
(Decrease)/Increase in outstanding claims provision	(4,575,697)	6,035,881
(Decrease) in savings plan liability	(656,926)	(725,054)
Purchase of investments	(21,962,764)	(28,740,938)
Interest received	20,219,635	16,660,600
Proceeds on sale of investments	-	6,291,243
Dividend income received	3,912,300	2,361,910
<b>Net cash flows from operating activities</b>	<b>37,233,427</b>	<b>27,983,453</b>
<b>Cash flows from investing activities</b>		
Purchase of equipment	(421,738)	(637,780)
Proceeds from sale of property, plant and equipment	4,700	17,971
<b>Net cash flows from investing activities</b>	<b>(417,038)</b>	<b>(619,809)</b>
<b>Net increase in cash and cash equivalents</b>	<b>36,816,389</b>	<b>27,363,644</b>
Cash and cash equivalents at beginning of the year	<b>301,217,837</b>	<b>273,854,193</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>338,034,226</b>	<b>301,217,837</b>

**RECONCILIATION OF NET SURPLUS TO CASH FLOWS FROM OPERATIONS****Net surplus for the year**

Adjustments for:

- Depreciation
- Investment income
- Gain on sale of property, plant and equipment

**Operating surplus before working capital changes**

	<b>2015 R</b>	<b>2014 R</b>
<b>Net surplus for the year</b>	<b>53,937,794</b>	<b>47,301,976</b>
Depreciation	341,707	369,337
Investment income	(24,637,860)	(23,046,337)
Gain on sale of property, plant and equipment	(4,700)	(13,435)
<b>Operating surplus before working capital changes</b>	<b>29,636,941</b>	<b>24,611,541</b>

**GENESIS MEDICAL SCHEME****NOTES TO THE SUMMARISED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**1. GENERAL INFORMATION**

The information contained in this summarised set of financial statements is an extract from the annual financial statements for the year ended 31 December 2015. The annual financial statements can be obtained from the Scheme's office.

**2. ACCOUNTING POLICIES**

All policies remained the same as those applied in the prior year.

**3. OUTSTANDING CLAIMS PROVISION**

Provision for outstanding claims – incurred but not yet reported  
Provision arising from liability adequacy test

**Analysis of movements in outstanding claims:**

Balance at beginning of year  
Payments in respect of prior year  
Over provision in prior year (Refer note 10)  
Adjustment for current year (Refer note 10)

Balance at end of year

**Analysis of outstanding claims provision:**

Estimated gross claims  
**LESS:** Estimated recoveries from savings plan accounts

**Balance at end of year**

<b>Not Covered by Risk Transfer Arrangements</b>	<b>Not Covered by Risk Transfer Arrangements</b>
<b>2015 R</b>	<b>2014 R</b>
14,744,979	19,320,676
-	-
<b>14,744,979</b>	<b>19,320,676</b>
19,320,676	13,284,795
(18,025,557)	(12,069,538)
1,295,119	1,215,257
13,449,860	18,105,419
<b>14,744,979</b>	<b>19,320,676</b>
14,971,267	19,763,732
(226,288)	(443,056)
<b>14,744,979</b>	<b>19,320,676</b>

**GENESIS MEDICAL SCHEME****NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)****For the year ended 31 December 2015**

The outstanding claims provision is a provision made for the estimated cost of healthcare benefits that have occurred before the year end, but that have not been reported to the Scheme by that date. This provision is determined as accurately as possible based on the following factors:

- actual claims paid in the period subsequent to the year end;
- claims received and recorded by the Scheme, but not yet paid at the date of signature of the annual financial statements;
- claims and procedures authorised by the Scheme, but not yet received by the Scheme;
- previous experience in claims patterns;
- claims settlement patterns;
- trends in claims frequency; and
- changes in the claims processing cycle.

The above factors are used in assessing the outstanding claims provision for the year under review. The only assumption that has a material effect on the financial statements is the actual claims paid in the period subsequent to year end. However, the provision is mainly based on actual claims submitted to 8 April 2015 (2014: 10 April 2015) and therefore the effect of any changes in assumptions will have no material impact on the claims provision.

There are no variables where a change in that variable could have a material impact on the surplus or members' funds. As a result, a sensitivity analysis is not disclosed.

There are no assumptions that are independent, no reinsurance held and no assumptions used to measure insurance assets. The information on actual claims compared to previous estimates has not been disclosed as any uncertainty about and timing of claims payments is typically resolved within one year.

**4. NET CONTRIBUTION INCOME**

	<b>2015 R</b>	<b>2014 R</b>
Gross contributions	262,895,236	238,474,359
Less: Savings contributions	(17,448,115)	(16,757,360)
<b>Net contribution income</b>	<b>245,447,121</b>	<b>221,716,999</b>

**GENESIS MEDICAL SCHEME****NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)**

For the year ended 31 December 2015

**5. INVESTMENT INCOME**

Financial assets not at fair value through profit or loss:

	<b>2015</b> <b>R</b>	<b>2014</b> <b>R</b>
Cash and cash equivalents interest income	20,108,491	17,441,676
Available-for-sale financial assets – dividend income	4,529,369	2,680,389
Net realised gain on available-for-sale financial assets	-	2,924,272
<b>Total investment income for the year</b>	<b>24,637,860</b>	<b>23,046,337</b>

**Net realised gain on available-for-sale financial assets**Realised gain on financial assets – available-for-sale  
- Equity securities

	<b>2015</b> <b>R</b>	<b>2014</b> <b>R</b>
	-	2,924,272
	-	<b>2,924,272</b>

**6. RELATED PARTY TRANSACTIONS****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, Principal Officer and Management Team. The disclosure deals with full-time personnel that are compensated on a salary basis (Principal Officer and Management Team), and part-time personnel that are compensated on a fee basis (Board of Trustees). The Management Team comprises of the Scheme executives, financial, operational, clinical, quality and IT managers. Close family members include close family members of the Board of Trustees, Principal Officer and Management Team.

**Transactions with related parties**

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

	<b>2015</b> <b>R</b>	<b>2014</b> <b>R</b>
<b>Compensation</b>		
Total paid to related parties	9,229,526	8,116,185
<b>Total compensation paid</b>	<b>9,229,526</b>	<b>8,116,185</b>

**GENESIS MEDICAL SCHEME****NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)****For the year ended 31 December 2015**

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**Contributions and claims**

Contributions paid and claims incurred for the related parties were at the same terms as applicable to all members. No ex gratia payments were awarded to any related party.

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

<b>Transaction</b>	<b>Nature of transactions and terms and conditions thereof.</b>
Contributions received	This constitutes the contributions paid by the related party as a member of the Scheme, in their individual capacity. All contributions were at the same terms as applicable to all members.
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.
Claims reported not yet paid	These are claims that have been reported, but not yet paid due to the fact that the Scheme reimburses claims once a month. All claims are settled within 30 days of being received.

## GENESIS MEDICAL SCHEME

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

## 7. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

	Private Choice 2015 R	Private 2015 R	Private Plus 2015 R	Private Comprehensive 2015 R	Total Scheme 2015 R
<b>2015</b>					
<b>Net contribution income</b>	<b>29,405,785</b>	<b>103,699,798</b>	<b>61,587,616</b>	<b>50,753,922</b>	<b>245,447,121</b>
<b>Relevant healthcare expenditure</b>	<b>(16,626,547)</b>	<b>(80,658,023)</b>	<b>(43,965,141)</b>	<b>(40,561,793)</b>	<b>(181,811,504)</b>
Net claims incurred	(16,626,547)	(80,658,023)	(43,965,141)	(40,561,793)	(181,811,504)
Claims incurred	(16,626,547)	(80,688,173)	(44,135,141)	(40,596,056)	(182,045,917)
Third party claim recoveries	-	30,150	170,000	34,263	234,413
<b>Gross healthcare result</b>	<b>12,779,238</b>	<b>23,041,775</b>	<b>17,622,475</b>	<b>10,192,129</b>	<b>63,635,617</b>
Broker service fees	(234,732)	(1,107,133)	(448,878)	(315,549)	(2,106,292)
Administration costs	(3,562,240)	(12,558,579)	(8,884,691)	(6,836,958)	(31,842,468)
Trustees fees	(44,049)	(155,090)	(109,637)	(84,491)	(393,267)
Net impairment losses	-	-	(71,288)	(30,287)	(101,575)
<b>Net healthcare result</b>	<b>8,938,217</b>	<b>9,220,973</b>	<b>8,107,981</b>	<b>2,924,844</b>	<b>29,192,015</b>
<b>Other income</b>	<b>2,775,567</b>	<b>9,753,428</b>	<b>6,903,017</b>	<b>5,313,767</b>	<b>24,745,779</b>
Investment income	2,763,389	9,710,967	6,872,914	5,290,590	24,637,860
Sundry income	12,178	42,461	30,103	23,177	107,919
<b>Net surplus for the year</b>	<b>11,713,784</b>	<b>18,974,401</b>	<b>15,010,998</b>	<b>8,238,611</b>	<b>53,937,794</b>
Member numbers as at 31/12/2015	<b>1,831</b>	<b>3,244</b>	<b>2,141</b>	<b>1,376</b>	<b>8,592</b>

## GENESIS MEDICAL SCHEME

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

2014	Private Choice 2014 R	Private 2014 R	Private Plus 2014 R	Private Comprehensive 2014 R	Total Scheme 2014 R
<b>Net contribution income</b>	<b>22,289,110</b>	<b>99,366,890</b>	<b>57,029,061</b>	<b>43,031,938</b>	<b>221,716,999</b>
<b>Relevant healthcare expenditure</b>	<b>(12,553,435)</b>	<b>(71,216,775)</b>	<b>(40,602,983)</b>	<b>(41,384,619)</b>	<b>(165,757,812)</b>
Net claims incurred	(12,553,435)	(71,216,775)	(40,602,983)	(41,384,619)	(165,757,812)
Claims incurred	(12,553,435)	(71,758,613)	(42,003,522)	(42,959,790)	(169,275,360)
Third party claim recoveries	-	541,838	1,400,539	1,575,171	3,517,548
<b>Gross healthcare result</b>	<b>9,735,675</b>	<b>28,150,115</b>	<b>16,426,078</b>	<b>1,647,319</b>	<b>55,959,187</b>
Broker service fees	(207,305)	(1,155,229)	(471,841)	(281,852)	(2,116,227)
Administration costs	(2,946,293)	(13,134,845)	(7,538,405)	(5,688,190)	(29,307,733)
Trustees fees	(35,914)	(160,105)	(91,888)	(69,335)	(357,242)
Net impairment losses	-	-	(18,664)	(4,643)	(23,307)
<b>Net healthcare result</b>	<b>6,546,163</b>	<b>13,699,936</b>	<b>8,305,280</b>	<b>(4,396,701)</b>	<b>24,154,678</b>
<b>Other income</b>	<b>2,326,987</b>	<b>10,373,923</b>	<b>5,953,845</b>	<b>4,492,543</b>	<b>23,147,298</b>
Investment income	2,316,838	10,328,675	5,927,876	4,472,948	23,046,337
Sundry income	10,149	45,248	25,969	19,595	100,961
<b>Net surplus for the year</b>	<b>8,873,150</b>	<b>24,073,859</b>	<b>14,259,125</b>	<b>95,842</b>	<b>47,301,976</b>
Member numbers as at 31/12/2014	<b>1,514</b>	<b>3,269</b>	<b>2,098</b>	<b>1,227</b>	<b>8,108</b>