

# **GENESIS MEDICAL SCHEME**

Registration No. 339

## **SUMMARISED FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

**GENESIS MEDICAL SCHEME**

**SUMMARISED FINANCIAL STATEMENTS**

**For the year ended 31 December 2016**

---

<b>CONTENTS</b>	<b>PAGE</b>
STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES	2
STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES	3
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENESIS MEDICAL SCHEME	4 - 5
REPORT OF THE BOARD OF TRUSTEES	6 - 14
STATEMENT OF FINANCIAL POSITION	15
STATEMENT OF COMPREHENSIVE INCOME	16
STATEMENT OF CHANGES IN FUNDS AND RESERVES	17
STATEMENT OF CASH FLOWS	18
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS	19 - 24

**GENESIS MEDICAL SCHEME****SUMMARISED FINANCIAL STATEMENTS****For the year ended 31 December 2016**

---

**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 2016, 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 12 April 2017.

## **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 on Summary Financial Statements**

*To the Members of the Genesis Medical Scheme*

### *Opinion*

The summary financial statements, as set out on pages 15 to 24, which comprise the summary statement of financial position as at 31 December 2016, and the summary statement of comprehensive income, summary statement of changes in members' funds and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of *Genesis Medical Scheme* (the Scheme) for the year ended 31 December 2016.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

### *Summary Financial Statements*

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 and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

### *The Audited Financial Statements and Our Report Thereon*

We expressed an unmodified audit opinion on the audited financial statements in our report dated 18 April 2017. That report also includes:

- The communication of key audit matters.

### *Trustees' Responsibility for the Summary Financial Statements*

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

---

*PricewaterhouseCoopers Inc., 5 Silo Square, V&A Waterfront, Cape Town 8002, P O Box 2799, Cape Town 8000*  
T: +27 (0) 21 529 2000, F: +27 (0) 21 529 3300, [www.pwc.co.za](http://www.pwc.co.za)

Chief Executive Officer: T D Shango  
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk  
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.  
Reg. no. 1998/012055/21, VAT reg.no. 4950174682



*Auditor's Responsibility*

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance International Standards on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.

Director: D Khalfey

Registered Auditor

Cape Town

24 April 2017

**GENESIS MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES****For the year ended 31 December 2016**


---

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

**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
- 1.2 **Principal Officer**  
 Mr. D van der Merwe
- 1.3 **Audit Committee**  
 Ms. AC Gouws 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  
 5 Silo Square Cape Town  
 V&A Waterfront 8000  
 8002
- 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 10% 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 2016. 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 2016	Private Choice	Private	Private Plus	Private Comprehensive	Total
Number of members at year end	2,293	3,288	2,140	1,361	9,082
Number of beneficiaries at year end	4,843	8,526	5,126	3,481	21,976
Average number of members for the year	2,081	3,256	2,127	1,350	8,814
Average number of beneficiaries for the year	4,427	8,552	5,147	3,504	21,630
Average age of beneficiaries for the year	30.1	36.9	33.8	33.4	34.1
Pensioner ratio (beneficiaries > 65 years)	3.35%	10.03%	5.99%	6.38%	7.03%
Average accumulated funds per member at year end					R51,053
Dependant ratio to members at year end	1.11	1.59	1.40	1.56	1.42
Average net contributions per member per month	1,555	2,808	2,566	3,302	2,529
Average net contributions per beneficiary per month	731	1,069	1,060	1,272	1,031
Average risk claims per member per month	(860)	(2,235)	(2,001)	(2,792)	(1,939)
Average risk claims per beneficiary per month	(404)	(851)	(827)	(1,076)	(790)
Average administration costs per member per month	(179)	(326)	(356)	(420)	(313)
Average administration costs per beneficiary per month	(84)	(124)	(147)	(162)	(127)
Net risk claims as a percentage of net contributions	55%	80%	78%	85%	77%
Administration costs as a percentage of gross contributions	11.58%	11.58%	11.58%	11.58%	11.58%

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%

#### 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)

	2016 R	2015 R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per Statement of financial position	492,146,032	437,868,567
Less: Unrealised gains	(28,479,486)	(37,832,574)
Accumulated funds per Regulation 29	463,666,546	400,035,993

Gross annual contribution income (GCI)	285,591,236	262,895,236
--	-------------	-------------

Accumulated funds ratio:

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

= Accumulated funds ratio per Regulation 29 (1) of the Act	162%	152%
--	------	------

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:

	173%	163%
--	------	------

#### 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 3 to the summarised 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 has been one non-adjusting event that occurred subsequent to the financial year end. The details of the case are stated below.

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

The Registrar of Medical Schemes (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 costs in the Scheme's favour.

The Registrar applied for leave to appeal (Genesis did not oppose the application) which was granted by the Cape High Court.

The Supreme Court of Appeal found in favour of the Registrar in a split decision of 3:2. Genesis applied to the Constitutional Court and was granted leave to appeal the judgement of the Supreme Court. The matter was argued before the Constitutional Court during February 2017. Judgment is awaited.

**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.

## 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:

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

The Registrar of Medical Schemes (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 costs in the Scheme's favour.

The Registrar applied for leave to appeal (Genesis did not oppose the application) which was granted by the Cape High Court.

The Supreme Court of Appeal found in favour of the Registrar in a split decision of 3:2. Genesis applied to the Constitutional Court and was granted leave to appeal the judgement of the Supreme Court. The matter was argued before the Constitutional Court during February 2017. Judgment is awaited.

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 held 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 the Scheme. 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 Supreme Court similarly refused the Registrar leave to appeal. The Registrar then launched an application to the Constitutional Court for leave to appeal which was also refused. Costs were awarded to Genesis.

Genesis v The Minister of Health

Genesis has long held the view that the promulgation of regulation 8 to the Medical Schemes Act (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 were 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) read with sections 29(1)(o) and (q) of the MSA and, as such, is a cause of additional cost to the Scheme. Genesis launched an application in the Cape High Court to have regulation 8 repealed. The Minister of Health gave notice that he would not oppose the application.

After launching the application, Genesis 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. In respect of the intervening parties, 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 Supreme Court and the Constitutional Court, on the issue of intervention, was unsuccessful thereby permitting any number of parties to intervene whether they could show a substantial interest in the matter or not.

The Trustees considered the financial implications of proceeding with the matter in light of all parties being permitted to intervene. The Board prudently resolved to withdraw its application on the basis that each party agree to the withdrawal and to carry their own costs, except for the costs already awarded against it by the Courts.

### **Brickbats and bouquets**

A brickbat must go to the Registrar of Medical Schemes who, during 2016 and into 2017 made use of the media and other forums to emphasise the complaints brought against Genesis around its payment of Prescribed Minimum Benefits (PMB), in some cases accusing the Scheme of not paying for private hospitals. These claims by the Registrar are incorrect and misleading and we believe that they require some perspective.

Each year, Genesis receives and processes approximately 150 000 claims from members for treatment in public or private hospitals. During 2016, 23 complaints were lodged with the Council for Medical Schemes (CMS) against Genesis. The CMS receives approximately 5 000 complaints annually across all 83 medical schemes, thus the 23 relating to Genesis are a relatively small proportion.

Of the 23 complaints related to Genesis, 9 were from members and the remainder were from doctors whose complaints related to the benefits paid to them.

While the 9 complaints lodged by members covered a broad range of issues, the 14 complaints brought by doctors all related to their charges which were in excess of the benefits prescribed in Genesis' rules. These rules, which are registered and approved by the Registrar each year, protect member funds by governing the way in which they may be allocated, thereby enabling the Scheme to keep contributions as low as possible in the interest of affordability for members.

An example of a complaint lodged by a doctor relates to the submission of a claim for R26 000 for the 23 minutes it took to stitch up the eyebrow of a child. Extrapolated out, this doctor's rate equates to in excess of R60 000 an hour or R10 million per month.

While in the past Genesis has always relied upon its rules to be able to resist such egregious claims, a recent Supreme Court judgement has ruled that schemes are liable to fund the full costs claimed by doctors and thus Genesis has been forced to cover these claims. Given that the judgement essentially allows doctors to claim and be reimbursed any amount they charge for PMBs, it is fortunate that most doctors are cognisant of the negative impact that exorbitant charges would have on the health system and it is only the minority of doctors who exploit the Supreme Court judgement for their own gain.

However, although the 23 complaints resulted in just one adverse ruling by the Registrar, the Trustees of the Scheme view every complaint in a serious light and investigated each one thoroughly.

The Trustees of Genesis take pride in the fact that the private hospital and doctor benefits offered by the Scheme are generous compared to many of its competitors. It is therefore regrettable when complaints are raised by a handful of doctors seeking to charge unreasonable amounts and even more regrettable when the Registrar publishes damaging statements based on these complaints.

Of greater significance, however, are the bouquets, which must be awarded to those 41 members who took the time to compliment the Scheme on the services it renders. The compliments ranged from great customer service, to affordable contributions and substantial benefit enhancements. It is well acknowledged that medical scheme contributions are often a 'grudge purchase' and that it is easier for members to complain than to compliment. Therefore, the Board recognizes and appreciates the efforts that these members made to compliment the Scheme.

The Board of Trustees record their gratitude to the management and staff of Genesis for their hard work, loyalty and dedication to the membership and looks forward to another year of unprecedented growth, low contributions and increased benefits for members.

## 11. TRUSTEE MEETING ATTENDANCE AND REMUNERATION

The following schedule sets out Board of Trustees and Audit Committee meeting attendances by members.

Trustee/Sub-Committee Member	Board Meetings		Audit Committee Meetings	
	A	B	A	B
JF Klopper	6	6	4	3
D Welsh	6	6		
R Metz	6	6		
LDR Van der Merwe	6	5		
H Kruger	6	6		
AC Gouws			4	4
K De Brauwere			4	4

A – Possible number of meetings could have attended

B – Actual number of meetings attended

The Trustees' report was approved by the Board of Trustees on 12 April 2017.

**GENESIS MEDICAL SCHEME****STATEMENT OF FINANCIAL POSITION**

As at 31 December 2016

	Note	2016 R	2015 R
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>		<b>145,942,972</b>	<b>139,882,309</b>
Property, plant and equipment		503,133	683,480
Financial assets - investments		145,439,839	139,198,829
<b>Current assets</b>		<b>394,270,923</b>	<b>341,208,071</b>
Trade and other receivables		2,603,698	3,173,845
Cash and cash equivalents		391,667,225	338,034,226
<b>Total assets</b>		<b>540,213,895</b>	<b>481,090,380</b>
<b><u>FUNDS AND LIABILITIES</u></b>			
<b>Members' funds</b>		<b>492,146,032</b>	<b>437,868,567</b>
Accumulated funds		463,666,546	400,035,993
Revaluation reserve - investments		28,479,486	37,832,574
<b>Current liabilities</b>		<b>48,067,863</b>	<b>43,221,813</b>
Savings plan liability		7,949,635	8,503,321
Trade and other payables		17,901,448	19,973,513
Outstanding claims provision	<b>3</b>	22,216,780	14,744,979
<b>Total funds and liabilities</b>		<b>540,213,895</b>	<b>481,090,380</b>



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

For the year ended 31 December 2016

	Note	2016 R	2015 R
<b>Net contribution income</b>	<b>4</b>	<b>267,516,281</b>	<b>245,447,121</b>
<b>Relevant healthcare expenditure</b>		<b>(205,098,350)</b>	<b>(181,811,504)</b>
Net claims incurred		<b>(205,098,350)</b>	<b>(181,811,504)</b>
Claims incurred		(207,418,588)	(182,045,917)
Third party claim recoveries		2,320,238	234,413
<b>Gross healthcare result</b>		<b>62,417,931</b>	<b>63,635,617</b>
Broker service fees		(2,155,466)	(2,106,292)
Administration costs		(33,078,311)	(31,842,468)
Trustees fees		(467,096)	(393,267)
Net impairment losses on healthcare receivables		(99,572)	(101,575)
<b>Net healthcare result</b>		<b>26,617,486</b>	<b>29,192,015</b>
<b>Other income</b>		<b>37,013,067</b>	<b>24,745,779</b>
Investment income	<b>5</b>	36,920,812	24,637,860
Other income		92,255	107,919
<b>Net surplus for the year</b>		<b>63,630,553</b>	<b>53,937,794</b>
<b>Other comprehensive income</b>		<b>(9,353,088)</b>	<b>(628,529)</b>
Fair value adjustment on available-for-sale investments		(9,353,088)	(628,529)
<b>Total comprehensive income for the year</b>		<b>54,277,465</b>	<b>53,309,265</b>

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

For the year ended 31 December 2016

	<b>Revaluation reserve R</b>	<b>Accumulated funds R</b>	<b>Total members' funds R</b>
<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>
Net surplus for the year	-	63,630,553	63,630,553
Revaluation reserve	(9,353,088)	-	(9,353,088)
<b>Balance as at 31 December 2016</b>	<b>28,479,486</b>	<b>463,666,546</b>	<b>492,146,032</b>

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

For the year ended 31 December 2016

	<b>2016 R</b>	<b>2015 R</b>
<b>Cash flows from operating activities</b>		
Cash flows from operations before working capital changes	27,078,505	29,636,941
Working capital changes:		
Decrease/(Increase) in trade and other receivables	1,189,610	(328,428)
(Decrease)/Increase in trade and other payables	(2,072,065)	10,988,366
Increase/(Decrease) in outstanding claims provision	7,471,801	(4,575,697)
(Decrease) in savings plan liability	(553,686)	(656,926)
Purchase of investments	(23,280,935)	(21,962,764)
Interest received	25,821,951	20,219,635
Proceeds on sale of investments	14,172,239	-
Dividend income received	3,993,996	3,912,300
<b>Net cash flows from operating activities</b>	<b>53,821,416</b>	<b>37,233,427</b>
<b>Cash flows from investing activities</b>		
Purchase of equipment	(188,417)	(421,738)
Proceeds from sale of property, plant and equipment	-	4,700
<b>Net cash flows from investing activities</b>	<b>(188,417)</b>	<b>(417,038)</b>
<b>Net increase in cash and cash equivalents</b>	<b>53,632,999</b>	<b>36,816,389</b>
Cash and cash equivalents at beginning of the year	<b>338,034,226</b>	<b>301,217,837</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>391,667,225</b>	<b>338,034,226</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>2016 R</b>	<b>2015 R</b>
<b>Net surplus for the year</b>	<b>63,630,553</b>	<b>53,937,794</b>
Adjustments for:		
- Depreciation	368,764	341,707
- Investment income	(36,920,812)	(24,637,860)
- Gain on sale of property, plant and equipment	-	(4,700)
<b>Operating surplus before working capital changes</b>	<b>27,078,505</b>	<b>29,636,941</b>

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

For the year ended 31 December 2016

**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 2016. 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  
Adjustment for current year

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>2016 R</b>	<b>2015 R</b>
22,216,780	14,744,979
-	-
<b>22,216,780</b>	<b>14,744,979</b>
14,744,979	19,320,676
(13,612,121)	(18,025,557)
1,132,858	1,295,119
21,083,922	13,449,860
<b>22,216,780</b>	<b>14,744,979</b>
22,696,590	14,971,267
(479,810)	(226,288)
<b>22,216,780</b>	<b>14,744,979</b>

**GENESIS MEDICAL SCHEME****NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)****For the year ended 31 December 2016**

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 primary assumption that has the most material effect on the financial statements is the actual claims paid in the period subsequent to year end as the provision is mainly based on actual claims submitted to 03 April 2017 (2015: 8 April 2016).

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>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
Gross contributions	285,591,236	262,895,236
Less: Savings contributions	(18,074,955)	(17,448,115)
<b>Net contribution income</b>	<b>267,516,281</b>	<b>245,447,121</b>

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

For the year ended 31 December 2016

**5. INVESTMENT INCOME**

Financial assets not at fair value through profit or loss:

	<b>2016 R</b>	<b>2015 R</b>
Cash and cash equivalents interest income	26,441,414	20,108,491
Available-for-sale financial assets – dividend income	4,202,584	4,529,369
Net realised gain on available-for-sale financial assets	6,276,814	-
<b>Total investment income for the year</b>	<b>36,920,812</b>	<b>24,637,860</b>

**Net realised gain on available-for-sale financial assets**

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

	<b>2016 R</b>	<b>2015 R</b>
Realised gain on financial assets – available-for-sale	6,276,814	-
- Equity securities	6,276,814	-

**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 fees). 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>2016 R</b>	<b>2015 R</b>
<b>Compensation – Short term employment benefits</b>		
Total paid to related parties	9,662,655	9,229,526
<b>Total compensation paid</b>	<b>9,662,655</b>	<b>9,229,526</b>

**GENESIS MEDICAL SCHEME****NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)****For the year ended 31 December 2016****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 2016

## 7. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

	Private Choice 2016 R	Private 2016 R	Private Plus 2016 R	Private Comprehensive 2016 R	Total Scheme 2016 R
<b>2016</b>					
<b>Net contribution income</b>	<b>38,820,038</b>	<b>109,704,287</b>	<b>65,496,866</b>	<b>53,495,090</b>	<b>267,516,281</b>
<b>Relevant healthcare expenditure</b>	<b>(21,471,552)</b>	<b>(87,320,380)</b>	<b>(51,077,650)</b>	<b>(45,228,768)</b>	<b>(205,098,350)</b>
Net claims incurred	(21,471,552)	(87,320,380)	(51,077,650)	(45,228,768)	(205,098,350)
Claims incurred	(21,471,552)	(87,407,195)	(51,090,229)	(47,449,612)	(207,418,588)
Third party claim recoveries	-	86,815	12,579	2,220,844	2,320,238
<b>Gross healthcare result</b>	<b>17,348,486</b>	<b>22,383,907</b>	<b>14,419,216</b>	<b>8,266,322</b>	<b>62,417,931</b>
Broker service fees	(276,757)	(1,149,712)	(426,892)	(302,105)	(2,155,466)
Administration costs	(4,471,472)	(12,720,746)	(9,087,725)	(6,798,368)	(33,078,311)
Trustees fees	(64,130)	(179,092)	(128,138)	(95,736)	(467,096)
Net impairment losses	-	-	(65,741)	(33,831)	(99,572)
<b>Net healthcare result</b>	<b>12,536,127</b>	<b>8,334,357</b>	<b>4,710,720</b>	<b>1,036,282</b>	<b>26,617,486</b>
<b>Other income</b>	<b>5,090,687</b>	<b>14,185,302</b>	<b>10,153,953</b>	<b>7,583,125</b>	<b>37,013,067</b>
Investment income	5,078,330	14,149,793	10,128,560	7,564,129	36,920,812
Sundry income	12,357	35,509	25,393	18,996	92,255
<b>Net surplus for the year</b>	<b>17,626,814</b>	<b>22,519,659</b>	<b>14,864,673</b>	<b>8,619,407</b>	<b>63,630,553</b>
Member numbers as at 31/12/2016	<b>2,293</b>	<b>3,288</b>	<b>2,140</b>	<b>1,361</b>	<b>9,082</b>



## GENESIS MEDICAL SCHEME

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

	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>