

GENESIS MEDICAL SCHEME

Registration No. 339

SUMMARISED FINANCIAL STATEMENTS

31 DECEMBER 2017

GENESIS MEDICAL SCHEME**SUMMARISED FINANCIAL STATEMENTS****For the year ended 31 December 2017**

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GENESIS MEDICAL SCHEME**SUMMARISED FINANCIAL STATEMENTS****For the year ended 31 December 2017**

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 2017, 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 13 April 2018.

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 12 - 21, which comprise the summary statement of financial position as at 31 December 2017, and the summary statement of comprehensive income, summary statement of changes in funds and reserves and summary cash flow statement 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 2017.

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 13th April 2018. 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.

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: Dilshad Khalfey

Registered Auditor

Cape Town

8 May 2018

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

Chief Executive Officer: T D Shango

Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk

The Firm's principal place of business is at 4 Lisbon Lane, Jukskei View where a list of the partners' names is available for inspection.

VAT reg.no. 4070182128.

GENESIS MEDICAL SCHEME**REPORT OF THE BOARD OF TRUSTEES****For the year ended 31 December 2017**

The Board of Trustees hereby presents its report for the year ended 31 December 2017.

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 th Floor, The Terraces	PO Box 144
Black River Park	Observatory
Fir Street	7935
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 7% 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 2017. 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 2017	Private Choice	Private	Private Plus	Private Comprehensive	Total
Number of members at year end	2,614	3,346	2,067	1,379	9,406
Number of beneficiaries at year end	5,597	8,457	4,889	3,416	22,359
Average number of members for the year	2,487	3,334	2,119	1,383	9,323
Average number of beneficiaries for the year	5,333	8,510	5,023	3,468	22,334
Average age of beneficiaries for the year	30.4	37.6	34.6	34.5	34.7
Pensioner ratio (beneficiaries > 65 years)	3.38%	10.51%	6.79%	7.26%	7.42%
Average accumulated funds per member at year end					R55,911
Dependant ratio to members at year end	1.14	1.53	1.37	1.48	1.38
Average net contributions per member per month	1,680	2,938	2,713	3,502	2,635
Average net contributions per beneficiary per month	783	1,151	1,145	1,397	1,100
Average risk claims per member per month	(847)	(2,414)	(2,011)	(3,030)	(1,996)
Average risk claims per beneficiary per month	(395)	(946)	(848)	(1208)	(833)
Average administration costs per member per month	(208)	(365)	(402)	(461)	(345)
Average administration costs per beneficiary per month	(97)	(143)	(170)	(184)	(144)
Net risk claims as a percentage of net contributions	50%	82%	74%	87%	76%
Administration costs as a percentage of gross contributions	12.40%	12.40%	12.40%	12.40%	12.40%

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%

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)

	2017 R	2016 R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per Statement of financial position	570,747,708	492,146,032
Less: Unrealised gains	<u>(44,851,869)</u>	<u>(28,479,486)</u>
Accumulated funds per Regulation 29	525,895,839	463,666,546

Gross annual contribution income (GCI)	311,773,263	285,591,236
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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	169%	162%
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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:

	178%	173%
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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 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 have been no events that have occurred subsequent to the financial year end that affect the summarised financial report and that the Board of Trustees consider should be brought to the attention of the members of the Scheme.

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 Scheme obtained exemption from the requirements of Section 36(10) of the Medical Schemes Act 131 of 1998 from the Council for Medical Schemes, in a letter dated 15 November 2000. In terms of the exemption, the Scheme has been granted permission to reduce the number of persons on the committee from five to three. 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.

The year in review

The Scheme completed another financially successful year, the fruits of which were passed on to members in the form of yet another well below industry average and inflationary increase in contributions. Genesis has now for the past six years contained contribution increases to below inflation and certainly lower than all open medical schemes.

In addition to the low contribution increase, benefits have been enhanced and increased almost across the entire spectrum thereby allowing members to participate in the financial prudence of the Scheme. Membership continues to grow with the average age of new beneficiaries being well below the industry average. The emphasis for the year ahead is a strong focus on service delivery to position Genesis well above its peers.

During the past year, the Scheme was faced with certain unavoidable cost increases. The fees paid to Trustees increased by more than expected but this was entirely due to the additional burden placed on the Board by the Registrar of Medical Schemes. Having ordered a routine inspection of the Scheme, the Registrar required the Trustees to attend a meeting in Pretoria at the Scheme's expense. In addition, the Trustees were required to consider a number of legal issues that had an impact on the members of Genesis.

Legal fees showed a marked increase due to the final settlement of the regulation 8 application that was abandoned due to the High Court ruling that there was no limit to the number of parties that could intervene in the matter. The Scheme encountered strong opposition to the removal of regulation 8 from the Registrar of Medical Schemes, all hospital groups and doctor groups. Regulation 8 is being interpreted by the Registrar to permit doctors to charge any amount they please whilst compelling medical schemes to reimburse such accounts in full.

Brickbats and bouquets

Last year we introduced the concept of brickbats and bouquets and we will continue this year. As with the past two financial years, a brickbat is awarded to the Registrar of Medical Schemes for once again singling out Genesis for the number of complaints that it receives. Against the background of the almost 150 000 claims that it processes annually, the Scheme received only 39 complaints during the year. The Registrar ruled against Genesis in respect of only 5 such complaints.

The Scheme continues in its fight to ensure that fraud and corruption is detected and exposed and that doctors are paid a reasonable fee for their services. In our report last year, we included details of the doctor that sought to charge some R60 000 per hour in a matter that is as yet unresolved by the Health Professions Council to whom a complaint was laid. During the current year the Scheme has been presented with claims of doctors ranging from R19 000 per hour through R22 000 and R33 000 per hour to treat non-emergency situations. The Registrar demands that Genesis pay these claims in full whilst the Minister of Health berates the high cost of healthcare. These claims are just not affordable by medical schemes whilst still trying to maintain affordable contributions for members. To this end, Genesis has launched a fresh application for the review of a ruling by the Appeal Board of the Council for Medical Schemes with a view to placing before the Court a proper argument regarding designated service providers and the egregious charges of some doctors.

As was the case last year, bouquets are due to the 43 members that complimented the Scheme during the year. The compliments covered issues such as the excellent and personal service to the low contribution increases and benefit design. The Trustees extend their grateful thanks to these members for taking the time and trouble to address the Scheme.

Members will also recall that the Registrar of Medical Schemes rejected the Scheme's 2012 audited annual financial statements. The Registrar argued that the assets were overstated as well as the income in that the Scheme did not provide for interest on the savings accounts of members. The Trustees at all times were confident that the financial statements correctly reflected the true financial position of the Scheme as required by the Act and as confirmed by the external auditors. Following a lengthy process through the courts, during which the Registrar opposed Genesis at every turn, the Constitutional Court ruled in favour of Genesis confirming what the trustees have asserted all along in that the audited financial statements do in fact correctly reflect the financial position of the Scheme.

Closing

The Trustees are very appreciative of the entire management and staff of Genesis for their unflinching service to members. Working at a medical scheme comes with a great measure of stress in that every member that calls is seeking financial assistance due to illness or the like. Our staff members have to maintain composure throughout in sometimes very trying circumstances when dealing with members who themselves are experiencing duress. The Trustees accordingly express their thanks to the Scheme's staff compliment, on behalf of all members, for their loyal and hard work during the past year.

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	4
D Welsh	6	6		
R Metz	6	5		
LDR Van der Merwe	6	6		
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 13 April 2018.

GENESIS MEDICAL SCHEME

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 R	2016 R
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment		507,794	503,133
Financial assets - investments		182,807,124	145,439,839
Current assets			
Trade and other receivables		2,462,375	2,603,698
Cash and cash equivalents		446,244,546	391,667,225
Total assets			
		632,021,839	540,213,895
<u>FUNDS AND LIABILITIES</u>			
Members' funds			
Accumulated funds		525,895,839	463,666,546
Revaluation reserve - investments		44,851,869	28,479,486
Current liabilities			
Savings plan liability		8,510,899	7,949,635
Trade and other payables		21,484,630	17,901,448
Outstanding claims provision	3	31,278,602	22,216,780
Total funds and liabilities			
		632,021,839	540,213,895

GENESIS MEDICAL SCHEME**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2017

	Note	2017 R	2016 R
Net contribution income	4	294,787,698	267,516,281
Relevant healthcare expenditure		(223,281,746)	(205,098,350)
Net claims incurred		(223,281,746)	(205,098,350)
Claims incurred		(224,193,383)	(207,418,588)
Third party claim recoveries		911,637	2,320,238
Gross healthcare result		71,505,952	62,417,931
Broker service fees		(2,038,836)	(2,155,466)
Administration costs		(38,650,463)	(33,078,311)
Trustees fees		(702,172)	(467,096)
Net impairment gains/(losses) on healthcare receivables		23,827	(99,572)
Net healthcare result		30,138,308	26,617,486
Other income		32,090,985	37,013,067
Investment income	5	31,878,823	36,920,812
Other income		212,162	92,255
Net surplus for the year		62,229,293	63,630,553
Other comprehensive income		16,372,383	(9,353,088)
Fair value adjustment on available-for-sale investments		16,372,383	(9,353,088)
Total comprehensive income for the year		78,601,676	54,277,465

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

For the year ended 31 December 2017

	Revaluation reserve R	Accumulated funds R	Total members' funds R
Balance as at 31 December 2015	37,832,574	400,035,993	437,868,567
Net surplus for the year	-	63,630,553	63,630,553
Revaluation reserve	(9,353,088)	-	(9,353,088)
Balance as at 31 December 2016	28,479,486	463,666,546	492,146,032
Net surplus for the year	-	62,229,293	62,229,293
Revaluation reserve	16,372,383	-	16,372,383
Balance as at 31 December 2017	44,851,869	525,895,839	570,747,708

GENESIS MEDICAL SCHEME**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2017

	2017 R	2016 R
Cash flows from operating activities		
Cash flows from operations before working capital changes	30,487,619	27,078,505
Working capital changes:		
(Increase)/Decrease in trade and other receivables	(144,113)	1,189,610
Increase/(Decrease) in trade and other payables	3,583,182	(2,072,065)
Increase in outstanding claims provision	9,061,822	7,471,801
Increase/(Decrease) in savings plan liability	561,264	(553,686)
Interest received	31,270,453	25,821,951
Dividend income received	4,670,767	3,993,996
Net cash flows from operating activities	79,490,994	62,930,112
Cash flows from investing activities		
Purchase of investments	(27,541,331)	(23,280,935)
Proceeds on sale of investments	2,769,469	14,172,239
Purchase of equipment	(316,811)	(188,417)
Proceeds from sale of property, plant and equipment	175,000	-
Net cash flows from investing activities	(24,913,673)	(9,297,113)
Net increase in cash and cash equivalents	54,577,321	53,632,999
Cash and cash equivalents at beginning of the year	391,667,225	338,034,226
Cash and cash equivalents at the end of the year	446,244,546	391,667,225

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
- Expensed assets

Operating surplus before working capital changes

	2017 R	2016 R
Net surplus for the year	62,229,293	63,630,553
Depreciation	210,199	368,764
Investment income	(31,878,823)	(36,920,812)
Gain on sale of property, plant and equipment	(112,906)	-
Expensed assets	39,856	-
Operating surplus before working capital changes	30,487,619	27,078,505

GENESIS MEDICAL SCHEME

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 2017. 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

	Not Covered by Risk Transfer Arrangements	Not Covered by Risk Transfer Arrangements
	2017 R	2016 R
Provision for outstanding claims – incurred but not yet reported	31,278,602	22,216,780
Provision arising from liability adequacy test	-	-
	31,278,602	22,216,780
Analysis of movements in outstanding claims:		
Balance at beginning of year	22,216,780	14,744,979
Payments in respect of prior year	(21,365,753)	(13,612,121)
Over provision in prior year	851,027	1,132,858
Adjustment for current year	30,427,575	21,083,922
Balance at end of year	31,278,602	22,216,780
Analysis of outstanding claims provision:		
Estimated gross claims	31,670,034	22,696,590
LESS: Estimated recoveries from savings plan accounts	(391,432)	(479,810)
Balance at end of year	31,278,602	22,216,780

GENESIS MEDICAL SCHEME**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)****For the year ended 31 December 2017**

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 2018 (2016: 03 April 2017).

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

	2017	2016
	R	R
Gross contributions	311,773,263	285,591,236
Less: Savings contributions	(16,985,565)	(18,074,955)
Net contribution income	294,787,698	267,516,281

GENESIS MEDICAL SCHEME

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

5. INVESTMENT INCOME

Financial assets not at fair value through profit or loss:

	2017 R	2016 R
Cash and cash equivalents interest income	30,985,016	26,441,414
Available-for-sale financial assets – dividend income	4,842,433	4,202,584
Net realised (loss)/gain on available-for-sale financial assets	(3,948,626)	6,276,814
Total investment income for the year	31,878,823	36,920,812

Net realised loss/gain on available-for-sale financial assets

	2017 R	2016 R
Realised (loss)/gain on financial assets – available-for-sale		
- Equity securities	(3,948,626)	6,276,814
	(3,948,626)	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.

	2017 R	2016 R
Compensation – Short term employment benefits		
Total paid to related parties	11,292,927	9,662,655
Total compensation paid	11,292,927	9,662,655

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

For the year ended 31 December 2017

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:

Transaction	Nature of transactions and terms and conditions thereof.
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 2017

7. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

	Private Choice 2017 R	Private 2017 R	Private Plus 2017 R	Private Comprehensive 2017 R	Total Scheme 2017 R
2017					
Net contribution income	50,124,663	117,558,205	68,987,555	58,117,275	294,787,698
Relevant healthcare expenditure	(25,285,384)	(96,575,805)	(51,131,489)	(50,289,068)	(223,281,746)
Net claims incurred	(25,285,384)	(96,575,805)	(51,131,489)	(50,289,068)	(223,281,746)
Claims incurred	(25,285,384)	(97,271,853)	(51,347,078)	(50,289,068)	(224,193,383)
Third party claim recoveries	-	696,048	215,589	-	911,637
Gross healthcare result	24,839,279	20,982,400	17,856,066	7,828,207	71,505,952
Broker service fees	(293,733)	(1,110,450)	(366,300)	(268,353)	(2,038,836)
Administration costs	(6,192,658)	(14,588,063)	(10,217,518)	(7,652,224)	(38,650,463)
Trustees fees	(113,073)	(264,228)	(185,641)	(139,230)	(702,172)
Net impairment gains	-	-	15,368	8,459	23,827
Net healthcare result	18,239,815	5,019,659	7,101,975	(223,141)	30,138,308
Other income	5,129,820	12,130,357	8,481,441	6,349,367	32,090,985
Investment income	5,095,913	12,050,349	8,425,175	6,307,386	31,878,823
Sundry income	33,907	80,008	56,266	41,981	212,162
Net surplus for the year	23,369,635	17,150,016	15,583,416	6,126,226	62,229,293

Member numbers as at 31/12/2017	2,614	3,346	2,067	1,379	9,406
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GENESIS MEDICAL SCHEME

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

	Private Choice 2016 R	Private 2016 R	Private Plus 2016 R	Private Comprehensive 2016 R	Total Scheme 2016 R
2016					
Net contribution income	38,820,038	109,704,287	65,496,866	53,495,090	267,516,281
Relevant healthcare expenditure	(21,471,552)	(87,320,380)	(51,077,650)	(45,228,768)	(205,098,350)
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
Gross healthcare result	17,348,486	22,383,907	14,419,216	8,266,322	62,417,931
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)
Net healthcare result	12,536,127	8,334,357	4,710,720	1,036,282	26,617,486
Other income	5,090,687	14,185,302	10,153,953	7,583,125	37,013,067
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
Net surplus for the year	17,626,814	22,519,659	14,864,673	8,619,407	63,630,553
Member numbers as at 31/12/2016	2,293	3,288	2,140	1,361	9,082