

# **GENESIS MEDICAL SCHEME**

Registration No. 339

## **SUMMARISED FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

**GENESIS MEDICAL SCHEME**

**SUMMARISED FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

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**GENESIS MEDICAL SCHEME****SUMMARISED FINANCIAL STATEMENTS****For the year ended 31 December 2018**

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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 2018, 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 11 April 2019 and were signed on 18 April 2019.

## **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 13 to 22, which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in funds and reserves, the statement of cash flows 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 2018. 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 2019. 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 with International Standards on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

*Report on Other Legal and Regulatory Requirements*

As required by the Council for Medical Schemes' Circular 38 of 2018, *Audit Tenure*, we report that PricewaterhouseCoopers Inc. has been the auditor of Genesis Medical Scheme for 10 years. The engagement partner, Dilshad Khalfey, has been responsible for Genesis Medical Scheme's audit for 3 years.

*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.

Director: Dilshad Khalfey

Registered Auditor

Cape Town

Date: 26 April 2019

**GENESIS MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES****For the year ended 31 December 2018**

The Board of Trustees hereby presents its report for the year ended 31 December 2018.

**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 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 21% and 8% 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 2018. 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 2018	Private Choice	Private	Private Plus	Private Comprehensive	Total
Number of members at year end	2,603	3,372	1,925	1,372	9,272
Number of beneficiaries at year end	5,596	8,229	4,518	3,253	21,596
Average number of members for the year	2,582	3,373	1,964	1,380	9,299
Average number of beneficiaries for the year	5,547	8,336	4,624	3,331	21,838
Average age of beneficiaries for the year	30.8	38.5	35.6	35.5	35.4
Pensioner ratio (beneficiaries > 65 years)	3.54%	11.39%	7.75%	8.08%	8.09%
Average accumulated funds per member at year end					R65,463
Dependant ratio to members at year end	1.15	1.44	1.35	1.37	1.33
Average net contributions per member per month	1,822	3,059	2,931	3,685	2,781
Average net contributions per beneficiary per month	848	1,238	1,245	1,528	1,184
Average risk claims per member per month	(947)	(2,780)	(2,411)	(3,409)	(2,287)
Average risk claims per beneficiary per month	(441)	(1,125)	(1,024)	(1,413)	(974)
Average administration costs per member per month	(219)	(367)	(435)	(475)	(356)
Average administration costs per beneficiary per month	(102)	(148)	(185)	(197)	(152)
Net risk claims as a percentage of net contributions	52%	91%	82%	93%	82%
Administration costs as a percentage of gross contributions	12.00%	12.00%	12.00%	12.00%	12.00%

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)	(1,208)	(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%

#### 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)

	2018 R	2017 R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per Statement of financial position	606,974,579	570,747,708
Less: Accumulative unrealised gains	(28,124,524)	(44,851,869)
Accumulated funds per Regulation 29	578,850,055	525,895,839

Gross annual contribution income (GCI)	331,188,513	311,773,263
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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	175%	169%
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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:	187%	178%
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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 provisions 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 a number of claims that does not warrant the financially prejudicial cost of scheduling an additional claims payment date.

### **The year in review**

Members once again, for the seventh consecutive year, enjoyed the benefits of sound governance and administration of their medical scheme. Contribution increases for 2019 were again kept to below inflation and benefits were increased substantially well above the rate of inflation.

Whilst membership declined very slightly from the previous year, the Scheme has benefited from a stable, young membership that demonstrates a reasonable risk profile. The average age of beneficiaries is below that of the industry average. The two main contributors to the decreased membership are affordability (even with Genesis' low contributions compared to other open schemes) and the termination of membership due to the non-disclosure of material information when applying for membership. This last issue is fast becoming something of a scourge in the entire healthcare funding industry.

As has been the case in past years, the Scheme continues to focus on service delivery to members. Complaints against the Scheme have decreased significantly with very few doctors complaining about payment of PMB conditions. The majority of complaints are from people whose membership was terminated due to non-disclosure and who consider the Scheme's lawful actions to be unfair. In almost all cases, the complainants owe money to Genesis as a result of their fraudulent non-disclosure.

As is evident from the accompanying financial statements, Genesis reimbursed qualifying claims in an amount of some R255 million during 2018 up from the R223 million reimbursed during the previous financial year. Trustees' remuneration remains amongst the lowest of all open medical schemes and administration costs are equally well below the industry average. Whilst contributions only just covered claims paid, the increase in reserves was due to a substantial increase in investment income. Genesis remains a highly solvent medical scheme with a very high claims paying ability.

### **Brickbats and bouquets**

Continuing with our annual award of brickbats and bouquets, we award a brickbat to the Registrar of Medical Schemes for his seemingly annual singling out of Genesis in regard to complaints received – despite the drop in the number of complaints. Whilst the Scheme obviously does not want to receive any complaints at all, considering the approximately 150 000 claims received annually, apart from the massive number of phone calls and general member interaction on a daily basis, the 39 complaints received does not really warrant the Registrar's attention.

Brickbats are also due to the sadly growing number of doctors that believe that they can charge any amount that they like under the PMB argument – all with the Registrar's blessing. The Genesis tariff at which claims are reimbursed is increased every year by more than the rate of inflation and yet some doctors apparently can't resist the temptation to exploit.

A bouquet is definitely due to the Health Professions Council. We reported last year about the doctor in KZN that charged the equivalent of some R60 000 an hour for a non-life threatening routine procedure. The HPCSA investigated and found the doctor guilty of unethical conduct and fined him R15 000.

Bouquets are also due to the many members that took the time and trouble to write and compliment the Scheme and its staff on the good work done. Thank you for that. And then finally and most importantly, a big bouquet to all of the loyal and dedicated staff and management that run the Scheme and do their very best to ensure that members get the best possible service.

### Closing

In closing we record our thanks to the providers of service, be they health care providers or administrative service providers. Thank you for looking after our members when help was needed.

## 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	5		
R Metz	6	5		
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 11 April 2019.

**GENESIS MEDICAL SCHEME****STATEMENT OF FINANCIAL POSITION****As at 31 December 2018**

	Note	2018 R	2017 R
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>		<b>203,408,415</b>	<b>183,314,918</b>
Property, plant and equipment		337,758	507,794
Financial assets - investments		203,070,657	182,807,124
<b>Current assets</b>		<b>481,629,054</b>	<b>448,706,921</b>
Trade and other receivables		3,158,124	2,462,375
Cash and cash equivalents		478,470,930	446,244,546
<b>Total assets</b>		<b>685,037,469</b>	<b>632,021,839</b>
<b><u>FUNDS AND LIABILITIES</u></b>			
<b>Members' funds</b>		<b>606,974,579</b>	<b>570,747,708</b>
Accumulated funds		606,974,579	525,895,839
Revaluation reserve - investments		-	44,851,869
<b>Current liabilities</b>		<b>78,062,890</b>	<b>61,274,131</b>
Savings plan liability		9,899,534	8,510,899
Trade and other payables		22,948,888	21,484,630
Outstanding claims provision	<b>3</b>	45,214,468	31,278,602
<b>Total funds and liabilities</b>		<b>685,037,469</b>	<b>632,021,839</b>

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

For the year ended 31 December 2018

	Note	2018 R	2017 R
<b>Net contribution income</b>	<b>4</b>	<b>310,366,018</b>	<b>294,787,698</b>
<b>Relevant healthcare expenditure</b>		<b>(255,152,738)</b>	<b>(223,281,746)</b>
Net claims incurred		<b>(255,152,738)</b>	<b>(223,281,746)</b>
Claims incurred		(255,716,640)	(224,193,383)
Third party claim recoveries		563,902	911,637
<b>Gross healthcare result</b>		<b>55,213,280</b>	<b>71,505,952</b>
Broker service fees		(2,001,795)	(2,038,836)
Administration costs		(39,732,906)	(38,650,463)
Trustees fees		(452,423)	(702,172)
Net impairment gains on healthcare receivables		7,722	23,827
<b>Net healthcare result</b>		<b>13,033,878</b>	<b>30,138,308</b>
<b>Other income</b>		<b>23,192,993</b>	<b>32,090,985</b>
Investment income	<b>5</b>	23,067,941	31,878,823
Other income		125,052	212,162
<b>Net surplus for the year</b>		<b>36,226,871</b>	<b>62,229,293</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>16,372,383</b>
Fair value adjustment on available-for-sale investments		-	16,372,383
<b>Total comprehensive income for the year</b>		<b>36,226,871</b>	<b>78,601,676</b>

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

For the year ended 31 December 2018

	<b>Revaluation reserve R</b>	<b>Accumulated funds R</b>	<b>Total members' funds R</b>
<b>Balance as at 31 December 2016</b>	<b>28,479,486</b>	<b>463,666,546</b>	<b>492,146,032</b>
Net surplus for the year	-	62,229,293	62,229,293
Revaluation reserve	16,372,383	-	16,372,383
<b>Balance as at 31 December 2017</b>	<b>44,851,869</b>	<b>525,895,839</b>	<b>570,747,708</b>
Changes on initial application of IFRS 9 (Refer note 2)	(44,851,869)	44,851,869	-
<b>Restated balance as at 1 January 2018</b>	<b>-</b>	<b>570,747,708</b>	<b>570,747,708</b>
Net surplus for the year	-	36,226,871	36,226,871
<b>Balance as at 31 December 2018</b>	<b>-</b>	<b>606,974,579</b>	<b>606,974,579</b>



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

For the year ended 31 December 2018

	<b>2018 R</b>	<b>2017 R</b>
<b>Cash flows from operating activities</b>		
Cash flows from operations before working capital changes	13,383,479	30,487,619
Working capital changes:		
Decrease/(Increase) in trade and other receivables	156,150	(144,113)
Increase in trade and other payables	1,464,258	3,583,182
Increase in outstanding claims provision	13,935,866	9,061,822
Increase in savings plan liability	1,388,635	561,264
Interest received	32,159,000	31,270,453
Dividend income received	6,678,585	4,670,767
<b>Net cash flows from operating activities</b>	<b>69,165,973</b>	<b>79,490,994</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(37,057,314)	(27,541,331)
Proceeds on sale of investments	172,238	2,769,469
Purchase of equipment	(54,513)	(316,811)
Proceeds from sale of property, plant and equipment	-	175,000
<b>Net cash flows from investing activities</b>	<b>(36,939,589)</b>	<b>(24,913,673)</b>
<b>Net increase in cash and cash equivalents</b>	<b>32,226,384</b>	<b>54,577,321</b>
Cash and cash equivalents at beginning of the year	<b>446,244,546</b>	<b>391,667,225</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>478,470,930</b>	<b>446,244,546</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
- Expensed assets

**Operating surplus before working capital changes**

	<b>2018 R</b>	<b>2017 R</b>
<b>Net surplus for the year</b>	<b>36,226,871</b>	<b>62,229,293</b>
Adjustments for:		
- Depreciation	224,549	210,199
- Investment income	(23,067,941)	(31,878,823)
- Gain on sale of property, plant and equipment	-	(112,906)
- Expensed assets	-	39,856
<b>Operating surplus before working capital changes</b>	<b>13,383,479</b>	<b>30,487,619</b>

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

For the year ended 31 December 2018

**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 2018. The annual financial statements can be obtained from the Scheme's office.

**2. ACCOUNTING POLICIES**

Policies remained the same as applied in the prior year with the exception of the following.

**2.1 Changes in accounting policy**

The Scheme has adopted IFRS 9 as issued by the IASB in July 2014 and IFRS 15 as issued by the IASB in May 2014, both with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustment to the amounts previously recognised in the financial statements. The Scheme did not early adopt IFRS 9 or IFRS 15 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Scheme did not elect to restate comparative figures. Any adjustments to the carrying amounts of the financial assets and liabilities at the date of transition were recognised in the opening accumulated funds and the revaluation reserve of the current period. There was no material effect on the financial statements due to the adoption of IFRS 15.

**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>2018 R</b>	<b>2017 R</b>
Provision for outstanding claims – incurred but not yet reported	45,214,468	31,278,602
Provision arising from liability adequacy test	-	-
	<b>45,214,468</b>	<b>31,278,602</b>
Balance at beginning of year	31,278,602	22,216,780
Payments in respect of prior year	(29,001,565)	(21,365,753)
Over provision in prior year	2,277,037	851,027
Adjustment for current year	42,937,431	30,427,575
Balance at end of year	<b>45,214,468</b>	<b>31,278,602</b>
Estimated gross claims	45,636,431	31,670,034
<b>LESS:</b> Estimated recoveries from savings plan accounts	(421,963)	(391,432)
<b>Balance at end of year</b>	<b>45,214,468</b>	<b>31,278,602</b>

**GENESIS MEDICAL SCHEME****NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)****For the year ended 31 December 2018**

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 08 April 2019 (2017: 03 April 2018).

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>2018</b> <b>R</b>	<b>2017</b> <b>R</b>
Gross contributions	331,188,513	311,773,263
Less: Savings contributions	(20,822,495)	(16,985,565)
<b>Net contribution income</b>	<b>310,366,018</b>	<b>294,787,698</b>

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

For the year ended 31 December 2018

**5. INVESTMENT INCOME**

Financial assets at fair value through profit or loss:

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
Cash and cash equivalents interest income	33,010,899	30,985,016
Financial assets – dividend income	6,744,847	4,842,433
Net realised (loss) on available-for-sale financial assets	-	(3,948,626)
Net realised gain on financial assets	39,540	-
(Loss) on revaluation of investments to fair value	(16,727,345)	-
<b>Total investment income for the year</b>	<b>23,067,941</b>	<b>31,878,823</b>

**Net realised (loss) on available-for-sale financial assets**Realised (loss) on financial assets – available-for-sale  
- Equity securities

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
	-	(3,948,626)
	-	<b>(3,948,626)</b>

**Net realised and fair value (loss) on financial assets at fair value through profit or loss**Net realised and fair value (loss) on financial assets at fair value through profit or loss  
- Equity securities

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
	(16,687,805)	-
	<b>(16,687,805)</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 fees – refer note 13). 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.

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

For the year ended 31 December 2018

**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>2018 R</b>	<b>2017 R</b>
<b>Compensation</b>		
Short term employment benefits	12,583,425	11,292,927
<b>Contributions and claims</b>		
Gross contributions received	(264,560)	(274,200)
Claims paid from the Scheme	83,255	86,357
<b>Total related party transactions</b>	<b>12,402,120</b>	<b>11,105,084</b>

**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 2018

## 7. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

	Private Choice 2018 R	Private 2018 R	Private Plus 2018 R	Private Comprehensive 2018 R	Total Scheme 2018 R
<b>2018</b>					
<b>Net contribution income</b>	<b>56,444,928</b>	<b>123,794,080</b>	<b>69,062,724</b>	<b>61,064,286</b>	<b>310,366,018</b>
<b>Relevant healthcare expenditure</b>	<b>(29,352,553)</b>	<b>(112,499,539)</b>	<b>(56,815,845)</b>	<b>(56,484,801)</b>	<b>(255,152,738)</b>
Net claims incurred	(29,352,553)	(112,499,539)	(56,815,845)	(56,484,801)	(255,152,738)
Claims incurred	(29,352,553)	(113,009,640)	(56,869,646)	(56,484,801)	(255,716,640)
Third party claim recoveries	-	510,101	53,801	-	563,902
<b>Gross healthcare result</b>	<b>27,092,375</b>	<b>11,294,541</b>	<b>12,246,879</b>	<b>4,579,485</b>	<b>55,213,280</b>
Broker service fees	(292,174)	(1,105,466)	(357,395)	(246,760)	(2,001,795)
Administration costs	(6,773,395)	(14,851,403)	(10,240,890)	(7,867,218)	(39,732,906)
Trustees fees	(77,359)	(168,827)	(116,477)	(89,760)	(452,423)
Net impairment gains	-	-	4,293	3,429	7,722
<b>Net healthcare result</b>	<b>19,949,447</b>	<b>(4,831,155)</b>	<b>1,536,410</b>	<b>(3,620,824)</b>	<b>13,033,878</b>
<b>Other income</b>	<b>3,949,684</b>	<b>8,642,615</b>	<b>6,003,229</b>	<b>4,597,465</b>	<b>23,192,993</b>
Investment income	3,928,366	8,595,872	5,970,986	4,572,717	23,067,941
Sundry income	21,318	46,743	32,243	24,748	125,052
<b>Net surplus for the year</b>	<b>23,899,131</b>	<b>3,811,460</b>	<b>7,539,639</b>	<b>976,641</b>	<b>36,226,871</b>
Member numbers as at 31/12/2018	<b>2,603</b>	<b>3,372</b>	<b>1,925</b>	<b>1,372</b>	<b>9,272</b>

## GENESIS MEDICAL SCHEME

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018

	Private Choice 2017 R	Private 2017 R	Private Plus 2017 R	Private Comprehensive 2017 R	Total Scheme 2017 R
<b>2017</b>					
<b>Net contribution income</b>	<b>50,124,663</b>	<b>117,558,205</b>	<b>68,987,555</b>	<b>58,117,275</b>	<b>294,787,698</b>
<b>Relevant healthcare expenditure</b>	<b>(25,285,384)</b>	<b>(96,575,805)</b>	<b>(51,131,489)</b>	<b>(50,289,068)</b>	<b>(223,281,746)</b>
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
<b>Gross healthcare result</b>	<b>24,839,279</b>	<b>20,982,400</b>	<b>17,856,066</b>	<b>7,828,207</b>	<b>71,505,952</b>
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
<b>Net healthcare result</b>	<b>18,239,815</b>	<b>5,019,659</b>	<b>7,101,975</b>	<b>(223,141)</b>	<b>30,138,308</b>
<b>Other income</b>	<b>5,129,820</b>	<b>12,130,357</b>	<b>8,481,441</b>	<b>6,349,367</b>	<b>32,090,985</b>
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
<b>Net surplus for the year</b>	<b>23,369,635</b>	<b>17,150,016</b>	<b>15,583,416</b>	<b>6,126,226</b>	<b>62,229,293</b>
Member numbers as at 31/12/2017	<b>2,614</b>	<b>3,346</b>	<b>2,067</b>	<b>1,379</b>	<b>9,406</b>