

GENESIS MEDICAL SCHEME

Registration No. 339

SUMMARISED FINANCIAL STATEMENTS

31 DECEMBER 2019

GENESIS MEDICAL SCHEME**SUMMARISED FINANCIAL STATEMENTS****For the year ended 31 December 2019**

CONTENTS	PAGE
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 - 13
STATEMENT OF FINANCIAL POSITION	14
STATEMENT OF COMPREHENSIVE INCOME	15
STATEMENT OF CHANGES IN FUNDS AND RESERVES	16
STATEMENT OF CASH FLOWS	17
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS	18 - 24

GENESIS MEDICAL SCHEME**SUMMARISED FINANCIAL STATEMENTS****For the year ended 31 December 2019**

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 2019, 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 06 May 2020 and were signed on 13 May 2020.

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.



To the Members of the Genesis Medical Scheme

Opinion

The summary financial statements, as set out on pages 14 to 24, which comprise the summary statement of financial position as at 31 December 2019, 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 2019.

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 13 May 2020. 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.

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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

15 June 2020

GENESIS MEDICAL SCHEME**REPORT OF THE BOARD OF TRUSTEES****For the year ended 31 December 2019**

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

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**
 4th 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 and a self managed fund.

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 a savings plan option available to meet this objective.

Members that belong to the Private Plus benefit option pay an agreed sum, limited to 22% 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. The savings plan is 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 2019. 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 2019	Private Choice	Private	Private Plus	Private Comprehensive	Total
Number of members at year end	2,653	3,360	1,815	1,339	9,167
Number of beneficiaries at year end	5,766	8,107	4,136	3,109	21,118
Average number of members for the year	2,634	3,383	1,860	1,359	9,236
Average number of beneficiaries for the year	5,725	8,210	4,300	3,187	21,422
Average age of beneficiaries for the year	31.2	39.0	36.6	36.7	36.0
Pensioner ratio (beneficiaries > 65 years)	3.19%	12.13%	8.66%	8.43%	8.46%
Average accumulated funds per member at year end					R73,689
Dependant ratio to members at year end	1.17	1.41	1.28	1.32	1.30
Average net contributions per member per month	1,988	3,233	3,070	4,064	2,967
Average net contributions per beneficiary per month	915	1,332	1,328	1,733	1,279
Average risk claims per member per month	(847)	(2,849)	(2,646)	(4,028)	(2,411)
Average risk claims per beneficiary per month	(390)	(1,174)	(1,144)	(1,718)	(1,039)
Average administration costs per member per month	(242)	(393)	(462)	(495)	(379)
Average administration costs per beneficiary per month	(111)	(162)	(200)	(211)	(163)
Net risk claims as a percentage of net contributions	43%	88%	86%	99%	81%
Administration costs as a percentage of gross contributions	12.16%	12.16%	12.16%	12.16%	12.16%

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%

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)

	2019 R	2018 R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per Statement of financial position	675,505,871	606,974,579
Less: Accumulative unrealised gains	<u>(32,041,588)</u>	<u>(28,124,524)</u>
Accumulated funds per Regulation 29	643,464,283	578,850,055

Gross annual contribution income (GCI)	345,454,214	331,188,513
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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	186%	175%
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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:

	196%	187%
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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 annual financial report and that the Board of Trustees consider should be brought to the attention of the members of the Scheme.

It is however notable that due to Coronavirus (COVID-19) Outbreak after year end, the healthcare industry could potentially face challenging circumstances in the foreseeable future. Refer to the 'Events after reporting period' note in the financial statements for further details.

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

This past year, 2019, certainly presented challenges to the economy and the entire country in general. Whilst it was indeed a tough year your Trustees are nevertheless able to report that your medical scheme is in a very sound financial position with a high claims paying ability.

The result of many years of tight fiscal control and sound financial policies and administration enabled your Trustees to once again (for the eighth successive year) keep contribution increases to below inflation and in fact lower than the average increases of all open medical schemes. In addition and importantly, benefits were increased across the board with the most significant increase coming in the scale of benefits or Genesis tariff at which healthcare service providers are reimbursed.

Whilst contribution increases were kept at a level below inflation claims paid totalled some R267 million or more than 4% higher than last year. Administration cost increases were limited to 5% and they are in fact well below the industry average of all open medical schemes. The same applies to the fees paid to your Trustees whose remuneration is well below the average paid by other medical schemes.

The poor economic situation in the country resulted in the Scheme recording a loss of 105 members during the year. As has been the case in previous years, the reasons for the loss of members is found in an inability to afford even the low contributions asked by Genesis and the termination of membership by the Scheme due to the non-disclosure of material information by prospective members when they applied for membership.

Inspections

During 2016 the Registrar of Medical Schemes ordered a routine inspection of the affairs of Genesis. The final report of the inspector recorded not a single breach of the Act or non-compliance with the rules of the Scheme save for the two issues that are disclosed in this report annually (the non-payment of all claims within 30 days due to timing issues and the size of the audit committee in respect of which the Council for Medical Schemes has granted an exemption).

During late 2019, the Registrar ordered another inspection of the Scheme under the guise of suspected irregularities. Unfortunately, when pressed to disclose the nature of the suspected irregularities the Registrar declined to answer. Suffice it to say that the second inspector submitted his final report and, as was the case with the first inspection, he was unable to find a single instance of non-compliance with the Act or the rules or, indeed, any evidence or substance to support the Registrar's seemingly baseless concerns.

The result of these two inspections, was an unavoidable increase in costs most notably Trustee fees where the Board was called upon to attend additional meetings and to consider various issues arising from the inspections.

High cost claim

During 2018 a young beneficiary of the Scheme sustained severe burns when he flew his paraglider into power lines. The case has been well ventilated by his mother in various magazines and social media platforms. The young man spent some 413 days in the Intensive Care Unit of a private hospital and thus far claims, approaching some R17 million, have been submitted to Genesis for reimbursement. To the best of our knowledge and belief this claim is more than three times higher than the highest claim admitted by other larger medical schemes.

Despite Genesis ensuring that the member received every benefit to which he is entitled in terms of the rules of the Scheme, he nevertheless launched an application in the High Court demanding that Genesis pay his rehabilitation costs on a life-long basis. The judgement of the High Court is awaited. That all said, this issue and the fact that the member lodged two complaints with the Registrar against the Scheme demanding benefits to which the Scheme has a view he is not entitled in terms of the rules or the Act, has resulted in much higher legal costs being paid. The Scheme has filed appeals against the adverse rulings of the Registrar.

Dispute with a member

During the year the Scheme terminated the membership of a member on the grounds of non-disclosure of material information. The member disputed the decision and asked that the matter be referred to the Dispute Committee. The matter was argued before the Committee who confirmed that the Scheme's decision to terminate the membership was lawful. The costs of this dispute amounted to R295 000 which is not recoverable from the member.

Designated Service Providers

During the year the Scheme concluded a contract with the Western Cape Department of Health selecting it as the Scheme's DSP. The selection of this DSP does not force or compel any member to seek treatment in a public hospital nor does it in any way limit treatment of prescribed minimum benefits to treatment in public hospitals.

The reason for this selection is to limit the amount that doctors can charge based on the "pay-in-full no matter the cost" interpretation that is being applied to PMB claims. If a member voluntarily elects to be treated in a private hospital then the liability of the Scheme is limited to the tariff prescribed in the rules. If a doctor wishes to charge above the Scheme's tariff then the member will be liable for the co-payment. If treatment is obtained from a public hospital in the Western Cape then the Scheme will reimburse all claims without limit.

Brickbats and bouquets

Continuing with our annual award of brickbats and bouquets, we award a brickbat (again) to the Registrar of Medical Schemes for his once again singling out of Genesis for unwarranted attention. Two inspections within two years of one another is completely unwarranted and unjustified and did nothing more than incur a massive waste of resources for all concerned including the members of all medical schemes that pay levies to keep the Registrar in office.

Brickbats are awarded to those former members of the Scheme that withheld material information from the application form and who then complained to the Registrar when their non-disclosure was detected and their membership terminated. In many cases these delinquent former members incurred substantial claims before being caught out and who now cannot repay the Scheme and its members.

Bouquet awards are difficult to come by but they are awarded to the many loyal members of Genesis who support the Scheme on Facebook and Twitter and who take the time and trouble to compliment the Scheme for its good service to members. The Trustees express their grateful thanks and appreciation to those members.

The last bouquet is awarded to the loyal and dedicated staff members of the Scheme who are faced daily with members in need of assistance and who are still able to try and be positive when some members are facing serious illness conditions. The Trustees thank you all for your tireless dedication to the job.

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	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 06 May 2020.

GENESIS MEDICAL SCHEME

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 R	2018 R
<u>ASSETS</u>			
Non-current assets		240,547,517	203,408,415
Property, plant and equipment		416,955	337,758
Right-of-use assets		3,521,620	-
Financial assets - investments		236,608,942	203,070,657
Current assets		505,704,779	481,629,054
Trade and other receivables		2,157,198	3,158,124
Cash and cash equivalents		503,547,581	478,470,930
Total assets		746,252,296	685,037,469
<u>FUNDS AND LIABILITIES</u>			
Members' funds		675,505,871	606,974,579
Accumulated funds		675,505,871	606,974,579
Non-current liabilities		2,060,144	-
Lease liabilities		2,060,144	-
Current liabilities		68,686,281	78,062,890
Savings plan liability		8,040,017	9,899,534
Trade and other payables		24,481,340	22,948,888
Lease liabilities		2,102,688	-
Outstanding claims provision	3	34,062,236	45,214,468
Total funds and liabilities		746,252,296	685,037,469

GENESIS MEDICAL SCHEME**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2019

	Note	2019 R	2018 R
Net contribution income	4	328,861,089	310,366,018
Relevant healthcare expenditure		(267,176,633)	(255,152,738)
Net claims incurred		(267,176,633)	(255,152,738)
Claims incurred		(268,772,410)	(255,716,640)
Third party claim recoveries		1,595,777	563,902
Gross healthcare result		61,684,456	55,213,280
Broker service fees		(1,990,512)	(2,001,795)
Administration costs		(42,004,625)	(39,732,906)
Trustees fees		(533,679)	(452,423)
Net impairment (losses)/gains on healthcare receivables		(1,602)	7,722
Net healthcare result		17,154,038	13,033,878
Other income		51,377,254	23,192,993
Investment income	5	51,593,950	23,067,941
Other income		296,728	125,052
Finance cost		(513,424)	-
Total comprehensive income for the year		68,531,292	36,226,871

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

For the year ended 31 December 2019

	Revaluation reserve R	Accumulated funds R	Total members' funds R
Balance as at 31 December 2017	44,851,869	525,895,839	570,747,708
Changes on initial application of IFRS 9	(44,851,869)	44,851,869	-
Restated balance as at 1 January 2018	-	570,747,708	570,747,708
Net surplus for the year	-	36,226,871	36,226,871
Balance as at 31 December 2018	-	606,974,579	606,974,579
Net surplus for the year	-	68,531,292	68,531,292
Balance as at 31 December 2019	-	675,505,871	675,505,871

GENESIS MEDICAL SCHEME**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2019

	2019 R	2018 R
Cash flows from operating activities		
Cash flows from operations before working capital changes	19,905,307	13,383,479
Working capital changes:		
(Increase)/Decrease in trade and other receivables	(198,581)	156,150
Increase in trade and other payables	1,532,451	1,464,258
(Decrease)/Increase in outstanding claims provision	(11,152,232)	13,935,866
(Decrease)/Increase in savings plan liability	(1,859,517)	1,388,635
Interest received	36,388,795	32,159,000
Dividend income received	11,236,939	6,678,585
Net cash flows from operating activities	55,853,162	69,165,973
Cash flows from investing activities		
Purchase of investments	(32,375,231)	(37,057,314)
Proceeds on sale of investments	4,000,000	172,238
Purchase of equipment	(295,958)	(54,513)
Proceeds from sale of property, plant and equipment	153,398	-
Net cash flows from investing activities	(28,517,791)	(36,939,589)
Cash flows from financing activities		
Principal elements of lease payments	(2,258,720)	-
Net cash flows from financing activities	(2,258,720)	-
Net increase in cash and cash equivalents	25,076,651	32,226,384
Cash and cash equivalents at beginning of the year	478,470,930	446,244,546
Cash and cash equivalents at the end of the year	503,547,581	478,470,930

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

Adjustments for:

- Depreciation
- Depreciation – ROU
- Finance costs
- Investment income
- Gain on sale of property, plant and equipment
- Lease accrual reversal
- Expensed assets

Operating surplus before working capital changes

	2019 R	2018 R
Net surplus for the year	68,531,292	36,226,871
- Depreciation	210,361	224,549
- Depreciation – ROU	1,920,884	-
- Finance costs	513,424	-
- Investment income	(51,593,950)	(23,067,941)
- Gain on sale of property, plant and equipment	(146,997)	-
- Lease accrual reversal	465,625	-
- Expensed assets	4,668	-
Operating surplus before working capital changes	19,905,307	13,383,479

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

For the year ended 31 December 2019

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 2019. The annual financial statements can be obtained from the Scheme's office.

2. PRINCIPAL 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 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The reclassifications and adjustments noted below, had no net impact on accumulated funds on adoption as at 01 January 2019.

On adoption of IFRS 16, the Scheme recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's estimated incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10%.

(i) Measurement of lease liabilities

Lease liability recognised as at 1 January 2019 was R5,908,129.

Of which: Current lease liabilities R1,745,297 and Non-current lease liabilities R4,162,832.

(ii) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iii) Adjustments recognised in the balance sheet on 1 January 2019

- Right-of-use assets - increase by R5,442,504
- Accrued lease expense - decrease by R465,625
- Lease liabilities - increase by R5,908,129

(iv) Lessor accounting

The Scheme did not need to make any adjustments to the accounting for assets held as lessor under operating leases (see note 8(c)) as a result of the adoption of IFRS 16.

(v) Reconciliation of lease liability to operating lease commitments 1 January 2019

Operating lease commitments disclosed at 31 December 2018	6,162,529
Discounted using the incremental borrowing rate on 1 January 2019	(254,400)
Less: Leases of low value assets	-
Lease liabilities recognised at 1 January 2019	<u>5,908,129</u>

GENESIS MEDICAL SCHEME

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

3. OUTSTANDING CLAIMS PROVISION

	Not Covered by Risk Transfer Arrangements	Not Covered by Risk Transfer Arrangements
	2019 R	2018 R
Provision for outstanding claims – incurred but not yet reported	34,062,236	45,214,468
Provision arising from liability adequacy test	-	-
	34,062,236	45,214,468
Analysis of movements in outstanding claims:		
Balance at beginning of year	45,214,468	31,278,602
Payments in respect of prior year	(40,112,648)	(29,001,565)
Over provision in prior year	5,101,820	2,277,037
Adjustment for current year	28,960,416	42,937,431
Balance at end of year	34,062,236	45,214,468
Analysis of outstanding claims provision:		
Estimated gross claims	34,775,492	45,636,431
LESS: Estimated recoveries from savings plan accounts	(713,256)	(421,963)
Balance at end of year	34,062,236	45,214,468

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 02 April 2020 (2018: 08 April 2019).

GENESIS MEDICAL SCHEME**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)****For the year ended 31 December 2019**

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

	2019	2018
	R	R
Gross contributions	345,454,214	331,188,513
Less: Savings contributions	(16,593,125)	(20,822,495)
Net contribution income	328,861,089	310,366,018

5. INVESTMENT INCOME

Financial assets at fair value through profit or loss:

	2019	2018
	R	R
Cash and cash equivalents interest income	35,189,289	33,010,899
Financial assets – dividend income	11,189,611	6,744,847
Net realised gain on financial assets	1,071,322	39,540
Gain/(Loss) on revaluation of investments to fair value	4,143,728	(16,727,345)
Total investment income for the year	51,593,950	23,067,941

Net realised and fair value gain/(loss) on financial assets at fair value through profit or loss

Net realised and fair value gain/(loss) on financial assets at fair value through profit or loss

- Equity securities

	2019	2018
	R	R
	5,215,050	(16,687,805)
	5,215,050	(16,687,805)

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

For the year ended 31 December 2019

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. 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.

	2019 R	2018 R
Compensation		
Short term employment benefits	13,997,732	12,583,425
Contributions and claims		
Gross contributions received	(337,665)	(264,560)
Claims paid from the Scheme	144,022	83,255
Total related party transactions	13,804,089	12,402,120

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 2019**

7. EVENTS AFTER REPORTING PERIOD

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

It is however notable that due to Coronavirus (Covid-19) Outbreak after year end, the healthcare industry could potentially face challenging circumstances in the foreseeable future. Particularly, there is the potential for an increase in claims experience and losses due to market volatility.

Due to the level of uncertainty of the extent of the impact, it was deemed impractical to accurately estimate the financial effect that the outbreak might have. However, management has considered the potential impact of the outbreak and assessed, based also on the Scheme's high solvency level and strong financial position, that there is no reason to believe the Scheme will not be able to continue as a going concern for the foreseeable future.

Contingency plans and mitigating actions for any Information Technology (IT) / business continuity issues that might arise are in place. The teams assigned to managing and administering the Scheme, are fully set-up to work remotely and in office for a prolonged period of time.

GENESIS MEDICAL SCHEME

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

8. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

	Private Choice 2019 R	Private 2019 R	Private Plus 2019 R	Private Comprehensive 2019 R	Total Scheme 2019 R
2019					
Net contribution income	62,832,200	131,235,268	68,511,406	66,282,215	328,861,089
Relevant healthcare expenditure	(26,785,722)	(115,648,012)	(59,045,404)	(65,697,495)	(267,176,633)
Net claims incurred	(26,785,722)	(115,648,012)	(59,045,404)	(65,697,495)	(267,176,633)
Claims incurred	(27,630,364)	(116,207,324)	(59,148,461)	(65,786,261)	(268,772,410)
Third party claim recoveries	844,642	559,312	103,057	88,766	1,595,777
Gross healthcare result	36,046,478	15,587,256	9,466,002	584,720	61,684,456
Broker service fees	(298,078)	(1,127,491)	(323,784)	(241,159)	(1,990,512)
Administration costs	(7,652,756)	(15,970,636)	(10,314,582)	(8,066,651)	(42,004,625)
Trustees fees	(97,786)	(202,632)	(130,785)	(102,476)	(533,679)
Net impairment (losses)/gains	-	-	(3,868)	2,266	(1,602)
Net healthcare result	27,997,858	(1,713,503)	(1,307,017)	(7,823,300)	17,154,038
Other income	9,362,834	19,550,992	12,590,933	9,872,495	51,377,254
Investment income	9,405,218	19,637,144	12,636,202	9,915,386	51,593,950
Sundry income	53,955	112,357	73,229	57,187	296,728
Finance costs	(96,339)	(198,509)	(118,498)	(100,078)	(513,424)
Net surplus for the year	37,360,692	17,837,489	11,283,916	2,049,195	68,531,292
Member numbers as at 31/12/2019	2,653	3,360	1,815	1,339	9,167

GENESIS MEDICAL SCHEME

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

	Private Choice 2018 R	Private 2018 R	Private Plus 2018 R	Private Comprehensive 2018 R	Total Scheme 2018 R
2018					
Net contribution income	56,444,928	123,794,080	69,062,724	61,064,286	310,366,018
Relevant healthcare expenditure	(29,352,553)	(112,499,539)	(56,815,845)	(56,484,801)	(255,152,738)
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
Gross healthcare result	27,092,375	11,294,541	12,246,879	4,579,485	55,213,280
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
Net healthcare result	19,949,447	(4,831,155)	1,536,410	(3,620,824)	13,033,878
Other income	3,949,684	8,642,615	6,003,229	4,597,465	23,192,993
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
Net surplus for the year	23,899,131	3,811,460	7,539,639	976,641	36,226,871
Member numbers as at 31/12/2018	2,603	3,372	1,925	1,372	9,272