

# **GENESIS MEDICAL SCHEME**

Registration No. 339

## **SUMMARISED FINANCIAL STATEMENTS**

**31 DECEMBER 2020**

**GENESIS MEDICAL SCHEME**

**SUMMARISED FINANCIAL STATEMENTS**

**For the year ended 31 December 2020**

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

**GENESIS MEDICAL SCHEME****SUMMARISED FINANCIAL STATEMENTS****For the year ended 31 December 2020**

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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 2020, 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 16 April 2021 and were signed on 23 April 2021.

## **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 the Summarised Financial Statements*

To the Members of the Genesis Medical Scheme

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### *Opinion*

The summarised financial statements, as set out on pages 15 to 24, which comprise the summarised statement of financial position as at 31 December 2020, the summarised statement of comprehensive income, the summarised statement of changes in funds and reserves, the summarised 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 2020.

In our opinion, the accompanying summarised 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.

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### *Summarised Financial Statements*

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the summarised 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 summarised 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.

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

We expressed an unmodified audit opinion on the audited financial statements in our report dated 23 April 2021. That report also includes the communication of key audit matters.

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### *Trustees' Responsibility for the Summarised 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 summarised 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*.

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### *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 Medical Scheme for 12 years.

The engagement partner, Dilshad Khalfey, has been responsible for Genesis Medical Scheme's audit for 5 years.

*PricewaterhouseCoopers Inc.*  
PricewaterhouseCoopers Inc.  
Director: D Khalfey  
Registered Auditor  
Cape Town, South Africa  
20 May 2021

**GENESIS MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES****For the year ended 31 December 2020**

The Board of Trustees hereby presents its report for the year ended 31 December 2020.

**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
Mr. D Welsh	Trustee <i>(Appointed 04 Dec 2020)</i>
Ms. B Hashim	External <i>(Appointed 04 Dec 2020)</i>
Mr. B Lodewyk	External <i>(Appointed 04 Dec 2020)</i>

**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. This benefit option was terminated with effect from 31 December 2020;
- **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 18% 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 2020. 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 2020	Private Choice	Private	Private Plus	Private Comprehensive	Total
Number of members at year end	2,717	3,381	1,662	1,387	9,147
Number of beneficiaries at year end	5,905	7,977	3,753	3,149	20,784
Average number of members for the year	2,695	3,374	1,771	1,369	9,209
Average number of beneficiaries for the year	5,851	8,045	4,032	3,128	21,056
Average age of beneficiaries for the year	31.5	39.8	37.2	36.9	36.5
Pensioner ratio (beneficiaries > 65 years)	3.52%	12.87%	9.62%	8.61%	8.98%
Average accumulated funds per member at year end					R82,401
Dependant ratio to members at year end	1.17	1.36	1.26	1.27	1.27
Average net contributions per member per month	2,164	3,412	3,235	4,236	3,135
Average net contributions per beneficiary per month	997	1,431	1,421	1,855	1,371
Average risk claims per member per month	(943)	(2,555)	(2,343)	(3,531)	(2,187)
Average risk claims per beneficiary per month	(434)	(1,071)	(1,029)	(1,546)	(957)
Average administration costs per member per month	(243)	(384)	(432)	(474)	(365)
Average administration costs per beneficiary per month	(112)	(161)	(190)	(208)	(160)
Net risk claims as a percentage of net contributions	44%	75%	72%	83%	70%
Administration costs as a percentage of gross contributions	11.23%	11.23%	11.23%	11.23%	11.23%

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%

#### 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)

	2020 R	2019 R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per Statement of financial position	753,717,783	675,505,871
Less: Accumulative unrealised gains	(16,047,493)	(32,041,588)
Accumulated funds per Regulation 29	737,670,290	643,464,283
 Gross annual contribution income (GCI)	 359,389,469	 345,454,214
Accumulated funds ratio:		
$\frac{\text{Accumulated funds}}{\text{GCI}} \times 100\%$		
= Accumulated funds ratio per Regulation 29 (1) of the Act	205%	186%
 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:	 213%	 196%

#### 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.

**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 consisted 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 had been granted permission to reduce the number of persons on the Committee from five to three. On 4 December 2020 the Board of Trustees appointed three additional members to the Committee of which one is also a member of the Board of Trustees. The Committee consists now of six members and the exemption previously granted is no longer required. 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 like no other before**

The past year has been like no other in recent times. In 2020, the Coronavirus changed the way we live our lives and how business is conducted. Due to the strict provisions of the Health and Occupational Safety Act, the Trustees decided to reduce the number of people in the Genesis offices at any one time by creating two teams of employees, with each team working two weeks “on” and two weeks “off”.

This move was necessitated by the provision of a mandatory quarantine period in the event of just one staff member becoming infected with Covid. This reduced staff complement resulted in us having to encourage members to contact the Scheme via email rather than call on the switchboard. We trust that members were not unduly inconvenienced by this.

Whilst the Scheme’s financial results for the year under review are pleasing, they are not representative of or indicative of a “normal” year. During the first half of the year all but emergency or absolutely necessary surgeries were cancelled – resulting in lower claims. This meant that claims were a significant 10% lower than in 2019. Towards the end of 2020, there was a marked increase in hospital admissions due to respiratory system illness that required lengthy and costly treatment in intensive care wards. This situation is expected to continue in 2021 in addition to elective procedures being undertaken to “catch-up” the avoided procedures during the past year.

Administration costs decreased by 4% and the Scheme’s investment income fell by a staggering 68% due to the lower interest rates and most companies passing or substantially reducing dividends.

### **Vaccinations**

At the time of writing, a vaccination against Covid-19 is only a Prescribed Minimum Benefit once a member has been definitely diagnosed with a respiratory system illness listed as a PMB in the regulations.

It is premature to speculate on what course the Government will take in regard to amending legislation and the pricing of any vaccines.

The Trustees are constantly monitoring the situation and will ensure that members will receive any and all benefits to which they are lawfully entitled.

### **Annual General Meeting**

The rules of the Scheme provide for an Annual General Meeting to be held before 30 June each year. Due to the national lockdown regulations, gatherings were either prohibited or limited, depending on the lockdown level. As a result, the Scheme could not lawfully convene its AGM.

In order to ensure that members were not placed at any disadvantage, the Audited Annual Financial Statements for the year ended 2019, were published on the Scheme's website before 30 June 2020. The report of the Trustees and the auditors were included.

In addition, any member wishing to raise concerns or issues was entirely at liberty to do so.

### **High Cost Claim**

Last year we reported on a single claim totalling almost R17 million for one member. The member claimed life-long rehabilitation costs from the Scheme, which were declined by the Scheme as they were neither Prescribed Minimum Benefits nor allowed, according to the Scheme's rules.

The member in question lodged two complaints against the Scheme with the Registrar of Medical Schemes, demanding these benefits. However, before the Registrar issued a ruling, the member approached the High Court for relief.

After hearing argument, the High Court postponed the matter *sine die* (indefinitely) pending exhaustion of the internal remedies available in such matters as provided in the Medical Schemes Act.

Subsequently, the Registrar of Medical Schemes ruled against the members of Genesis, despite the Scheme's senior counsel's assurance to the Scheme that its interpretations of the Act and rules were correct. The Scheme has thus lodged an appeal against the ruling that is expected to be argued during 2021.

### **Designated Service Providers**

Last year we advised members that the Scheme had selected the Western Cape Department of Health as its Designated Service Provider ("DSP").

During 2020, the Scheme concluded an agreement with the Gauteng Department of Health selecting it as the Scheme's DSP in that area.

It is important to repeat to members that the selection of a DSP does not mean that any member is forced to use a public hospital for treatment of PMB's. The purpose of selecting DSP's is to prevent certain doctors from charging egregious sums under the guise of the PMB pay-in-full interpretation. Each year, the Trustees have increased the Scheme's scale of benefits or reimbursement tariff by an amount that is greater than inflation thereby ensuring that service providers are well rewarded and that members should not ordinarily have to make co-payments.

Although a full explanation of the above was sent to members and posted on the Scheme's website, there are still some members who believe that, by selecting these DSP's, members are obliged to use state facilities for PMB treatment. This is not the case.

### **Private Plus Option**

For purposes of administrative efficiency, the Trustees took a decision to terminate the Private Plus benefit option with effect from 31 December 2020. The only difference between the Private Plus option and the Private option was a savings facility. All other benefits were identical. Members on the Private Plus option were given the choice of opting for the lower cost Private option or a slightly higher contribution on the Comprehensive option. Savings balances were refunded during the early part of 2021.

### **Looking Forward**

Given the past year, it is impossible to predict what will occur in 2021 with any certainty. For the eighth year in succession, the Trustees have been able to use the Scheme's financial strength to limit contribution increases (in Rand terms) to the lowest of all open medical schemes. We pride ourselves on the fact that Genesis has consistently had some of the lowest annual increases of all open schemes and increases on the Private option have not exceeded R85 per adult per month for eight years. In addition and importantly, benefit limits have increased each year and new benefits have been introduced. The Trustees continuously review benefits and claiming patterns to ensure that members receive the best cover possible whilst always focusing on the core purpose of Genesis, which is primarily an in-hospital medical scheme with basic dentistry benefits.

### **In Closing**

The Trustees wish to thank the Management and loyal staff of the Scheme who have managed the very stressful and uncertain working conditions forced upon them through legislative requirements and the national lockdown during the past financial year. These financial results are the product of this loyal and competent team, coupled with sound financial controls and good governance.

## **11. COVID-19**

We referred above to the fact that the year 2020 was like no other before. Despite a general decrease in claims during the financial year under review, the future is nevertheless very much uncertain. That said, the Scheme has a very high level of solvency reserves and it is in a strong financial position. There is therefore no reason to believe that the Scheme will not be able to continue as a going concern for the foreseeable future.

During the financial year under review, 343 beneficiaries out of the Scheme's total of 20 784 beneficiaries contracted the Covid-19 virus. Sadly and unfortunately, 15 of these members passed away due to reportedly Covid-19 related conditions. The recovery rate amongst members of Genesis was 328 beneficiaries or 96% - very much in line with the National average. The total value of claims received relating to the Covid related members was R5 million. The Trustees will continue to monitor the situation of the Covid-19 virus very carefully.

## **12. OTHER MATTERS**

In terms of section 26(7) of the Medical Schemes Act it requires all subscriptions or contributions to be paid directly to a medical scheme not later than three days after payment thereof becoming due. Instances where members paid contributions more than three days after they were due were noted during the year. The Scheme has appropriate processes in place to encourage members to pay contributions within three days as required by the Scheme's rules.

**13. 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	5	5	4	4
D Welsh	5	5		
R Metz	5	5		
LDR Van der Merwe	5	4		
H Kruger	5	5		
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 16 April 2021.

## GENESIS MEDICAL SCHEME

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 R	2019 R
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>		<b>274,142,094</b>	<b>240,547,517</b>
Property, plant and equipment		491,908	416,955
Right-of-use assets		-	3,521,620
Financial assets - investments		273,650,186	236,608,942
<b>Current assets</b>		<b>550,072,749</b>	<b>505,704,779</b>
Right-of-use asset		1,582,311	-
Trade and other receivables		1,179,292	2,157,198
Cash and cash equivalents		547,311,146	503,547,581
<b>Total assets</b>		<b>824,214,843</b>	<b>746,252,296</b>
<b><u>FUNDS AND LIABILITIES</u></b>			
<b>Members' funds</b>		<b>753,717,783</b>	<b>675,505,871</b>
Accumulated funds		753,717,783	675,505,871
<b>Non-current liabilities</b>		<b>-</b>	<b>2,060,144</b>
Lease liabilities		-	2,060,144
<b>Current liabilities</b>		<b>70,497,060</b>	<b>68,686,281</b>
Savings plan liability		471,982	8,040,017
Trade and other payables		37,664,383	24,481,340
Lease liabilities		2,045,343	2,102,688
Outstanding claims provision	<b>3</b>	30,315,352	34,062,236
<b>Total funds and liabilities</b>		<b>824,214,843</b>	<b>746,252,296</b>

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

For the year ended 31 December 2020

	Note	2020 R	2019 R
<b>Net contribution income</b>	<b>4</b>	<b>346,499,759</b>	<b>328,861,089</b>
<b>Relevant healthcare expenditure</b>		<b>(241,756,067)</b>	<b>(267,176,633)</b>
Net claims incurred		<b>(241,756,067)</b>	<b>(267,176,633)</b>
Claims incurred		(242,464,495)	(268,772,410)
Third party claim recoveries		708,428	1,595,777
<b>Gross healthcare result</b>		<b>104,743,692</b>	<b>61,684,456</b>
Broker service fees		(1,927,111)	(1,990,512)
Administration costs		(40,370,800)	(42,004,625)
Trustees fees		(585,033)	(533,679)
Net impairment (losses) on healthcare receivables		(11,548)	(1,602)
<b>Net healthcare result</b>		<b>61,849,200</b>	<b>17,154,038</b>
<b>Other income</b>		<b>16,362,712</b>	<b>51,377,254</b>
Investment income	<b>5</b>	16,662,034	51,593,950
Other income		21,347	296,728
Finance cost		(320,669)	(513,424)
<b>Total comprehensive income for the year</b>		<b>78,211,912</b>	<b>68,531,292</b>

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

For the year ended 31 December 2020

	<b>Revaluation reserve R</b>	<b>Accumulated funds R</b>	<b>Total members' funds R</b>
<b>Balance as at 31 December 2018</b>	-	<b>606,974,579</b>	<b>606,974,579</b>
Net surplus for the year	-	68,531,292	68,531,292
<b>Balance as at 31 December 2019</b>	-	<b>675,505,871</b>	<b>675,505,871</b>
Net surplus for the year	-	78,211,912	78,211,912
<b>Balance as at 31 December 2020</b>	-	<b>753,717,783</b>	<b>753,717,783</b>

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

For the year ended 31 December 2020

	<b>2020 R</b>	<b>2019 R</b>
<b>Cash flows from operating activities</b>		
Cash flows from operations before working capital changes	63,955,398	19,905,307
Working capital changes:		
Decrease/(Increase) in trade and other receivables	431,579	(198,581)
Increase in trade and other payables	13,183,043	1,532,451
(Decrease) in outstanding claims provision	(3,746,884)	(11,152,232)
(Decrease) in savings plan liability	(7,568,035)	(1,859,517)
Interest received	26,336,847	36,388,795
Dividend income received	6,865,609	11,236,939
<b>Net cash flows from operating activities</b>	<b>99,457,557</b>	<b>55,853,162</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(53,035,339)	(32,375,231)
Proceeds on sale of investments	-	4,000,000
Purchase of equipment	(248,769)	(295,958)
Proceeds from sale of property, plant and equipment	1,199	153,398
<b>Net cash flows from investing activities</b>	<b>(53,282,909)</b>	<b>(28,517,791)</b>
<b>Cash flows from financing activities</b>		
Principal elements of lease payments	(2,411,083)	(2,258,720)
<b>Net cash flows from financing activities</b>	<b>(2,411,083)</b>	<b>(2,258,720)</b>
<b>Net increase in cash and cash equivalents</b>	<b>43,763,565</b>	<b>25,076,651</b>
Cash and cash equivalents at beginning of the year	<b>503,547,581</b>	<b>478,470,930</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>547,311,146</b>	<b>503,547,581</b>

**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**

	<b>2020 R</b>	<b>2019 R</b>
<b>Net surplus for the year</b>	<b>78,211,912</b>	<b>68,531,292</b>
Adjustments for:		
- Depreciation	173,816	210,361
- Depreciation – ROU	1,912,234	1,920,884
- Finance costs	320,669	513,424
- Investment income	(16,662,034)	(51,593,950)
- Gain on sale of property, plant and equipment	(1,199)	(146,997)
- Lease accrual reversal	-	465,625
- Expensed assets	-	4,668
<b>Operating surplus before working capital changes</b>	<b>63,955,398</b>	<b>19,905,307</b>

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

For the year ended 31 December 2020

**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 2020. The annual financial statements can be obtained from the Scheme's office.

**2. PRINCIPAL ACCOUNTING POLICIES**

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

**3. OUTSTANDING CLAIMS PROVISION**

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

**Analysis of movements in outstanding claims:**

Balance at beginning of year  
Payments in respect of prior year  
Over provision in prior year  
Adjustment for current year

Balance at end of year

**Analysis of outstanding claims provision:**

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

**Balance at end of year**

<b>Not Covered by Risk Transfer Arrangements</b>	<b>Not Covered by Risk Transfer Arrangements</b>
<b>2020</b>	<b>2019</b>
<b>R</b>	<b>R</b>
30,315,352	34,062,236
-	-
<b>30,315,352</b>	<b>34,062,236</b>
34,062,236	45,214,468
(26,111,005)	(40,112,648)
7,951,231	5,101,820
22,364,121	28,960,416
<b>30,315,352</b>	<b>34,062,236</b>
30,325,104	34,775,492
(9,752)	(713,256)
<b>30,315,352</b>	<b>34,062,236</b>

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;

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

For the year ended 31 December 2020

- 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 2021 (2019: 02 April 2020).

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>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
Gross contributions	359,389,469	345,454,214
Less: Savings contributions	(12,889,710)	(16,593,125)
<b>Net contribution income</b>	<b>346,499,759</b>	<b>328,861,089</b>

**5. INVESTMENT INCOME**

Financial assets at fair value through profit or loss:

	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
Cash and cash equivalents interest income	25,790,520	35,189,289
Financial assets – dividend income	6,865,609	11,189,611
Net realised gain on financial assets	-	1,071,322
(Loss)/Gain on revaluation of investments to fair value	(15,994,095)	4,143,728
<b>Total investment income for the year</b>	<b>16,662,034</b>	<b>51,593,950</b>

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

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

- Equity securities

	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
(15,994,095)	(15,994,095)	5,215,050
<b>(15,994,095)</b>	<b>(15,994,095)</b>	<b>5,215,050</b>

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

For the year ended 31 December 2020

**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.

	<b>2020 R</b>	<b>2019 R</b>
<b>Compensation</b>		
Short term employment benefits	14,036,530	13,997,732
<b>Contributions and claims</b>		
Gross contributions received	(351,615)	(337,665)
Claims paid from the Scheme	122,944	144,022
<b>Total related party transactions</b>	<b>13,807,859</b>	<b>13,804,089</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 2020**

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**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.

**8. COVID-19**

We referred above to the fact that the year 2020 was like no other before. Despite a general decrease in claims during the financial year under review, the future is nevertheless very much uncertain. That said, the Scheme has a very high level of solvency reserves and it is in a strong financial position. There is therefore no reason to believe that the Scheme will not be able to continue as a going concern for the foreseeable future.

During the financial year under review, 343 beneficiaries out of the Scheme's total of 20 784 beneficiaries contracted the Covid-19 virus. Sadly and unfortunately, 15 of these members passed away due to reportedly Covid-19 related conditions. The recovery rate amongst members of Genesis was 328 beneficiaries or 96% - very much in line with the National average. The total value of claims received relating to the Covid related members was R5 million. The Trustees will continue to monitor the situation of the Covid-19 virus very carefully.

## GENESIS MEDICAL SCHEME

## NOTES TO THE SUMMARISED SUMMARISED STATEMENTS (Continued)

For the year ended 31 December 2020

## 9. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

2020	Private Choice 2020 R	Private 2020 R	Private Plus * 2020 R	Private Comprehensiv e 2020 R	Total Scheme 2020 R
<b>Net contribution income</b>	<b>69,997,650</b>	<b>138,112,508</b>	<b>68,751,985</b>	<b>69,637,616</b>	<b>346,499,759</b>
<b>Relevant healthcare expenditure</b>	<b>(30,488,464)</b>	<b>(103,436,542)</b>	<b>(49,794,296)</b>	<b>(58,036,765)</b>	<b>(241,756,067)</b>
Net claims incurred	(30,488,464)	(103,436,542)	(49,794,296)	(58,036,765)	(241,756,067)
Claims incurred	(30,975,241)	(103,502,725)	(49,949,764)	(58,036,765)	(242,464,495)
Third party claim recoveries	486,777	66,183	155,468	-	708,428
<b>Gross healthcare result</b>	<b>39,509,186</b>	<b>34,675,966</b>	<b>18,957,689</b>	<b>11,600,851</b>	<b>104,743,692</b>
Broker service fees	(327,005)	(1,077,189)	(298,560)	(224,357)	(1,927,111)
Administration costs	(7,862,562)	(15,528,582)	(9,182,737)	(7,796,919)	(40,370,800)
Trustees fees	(113,400)	(223,252)	(133,475)	(114,906)	(585,033)
Net impairment (losses)/gains	-	-	(11,548)	-	(11,548)
<b>Net healthcare result</b>	<b>31,206,219</b>	<b>17,846,943</b>	<b>9,331,369</b>	<b>3,464,669</b>	<b>61,849,200</b>
<b>Other income</b>	<b>3,095,452</b>	<b>6,204,422</b>	<b>3,971,960</b>	<b>3,090,878</b>	<b>16,362,712</b>
Investment income	3,155,314	6,320,662	4,035,324	3,150,734	16,662,034
Sundry income	4,105	8,291	4,922	4,029	21,347
Finance costs	(63,967)	(124,531)	(68,286)	(63,885)	(320,669)
<b>Net surplus for the year</b>	<b>34,301,671</b>	<b>24,051,365</b>	<b>13,303,329</b>	<b>6,555,547</b>	<b>78,211,912</b>
Member numbers as at 31/12/2020	<b>2,717</b>	<b>3,381</b>	<b>1,662</b>	<b>1,387</b>	<b>9,147</b>

\* This benefit option was terminated with effect from 31 December 2020

## GENESIS MEDICAL SCHEME

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

	Private Choice 2019 R	Private 2019 R	Private Plus 2019 R	Private Comprehensiv e 2019 R	Total Scheme 2019 R
<b>2019</b>					
<b>Net contribution income</b>	<b>62,832,200</b>	<b>131,235,268</b>	<b>68,511,406</b>	<b>66,282,215</b>	<b>328,861,089</b>
<b>Relevant healthcare expenditure</b>	<b>(26,785,722)</b>	<b>(115,648,012)</b>	<b>(59,045,404)</b>	<b>(65,697,495)</b>	<b>(267,176,633)</b>
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
<b>Gross healthcare result</b>	<b>36,046,478</b>	<b>15,587,256</b>	<b>9,466,002</b>	<b>584,720</b>	<b>61,684,456</b>
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)
<b>Net healthcare result</b>	<b>27,997,858</b>	<b>(1,713,503)</b>	<b>(1,307,017)</b>	<b>(7,823,300)</b>	<b>17,154,038</b>
<b>Other income</b>	<b>9,362,834</b>	<b>19,550,992</b>	<b>12,590,933</b>	<b>9,872,495</b>	<b>51,377,254</b>
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)
<b>Net surplus for the year</b>	<b>37,360,692</b>	<b>17,837,489</b>	<b>11,283,916</b>	<b>2,049,195</b>	<b>68,531,292</b>
Member numbers as at 31/12/2019	<b>2,653</b>	<b>3,360</b>	<b>1,815</b>	<b>1,339</b>	<b>9,167</b>