

GENESIS MEDICAL SCHEME

Registration No. 339

SUMMARISED FINANCIAL STATEMENTS

31 DECEMBER 2021

GENESIS MEDICAL SCHEME
Registration No. 339

SUMMARISED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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GENESIS MEDICAL SCHEME
Registration No. 339

SUMMARISED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021, 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 (“IFRS”) 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 and signed by the Board of Trustees on 22 April 2022.

GENESIS MEDICAL SCHEME

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SUMMARISED FINANCIAL STATEMENTS

For the year ended 31 December 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

Opinion

The summarised financial statements, as set out on pages 16 to 27, which comprise the summarised statement of financial position as at 31 December 2021, 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 2021.

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.

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.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 22 April 2022. That report also includes the communication of key audit matters.

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.

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*.

PricewaterhouseCoopers Inc.,
5 Silo Square, V&A Waterfront, Cape Town 8002, P O Box 2799, Cape Town 8001
T: +27 (0) 21 529 2000, F: +27 (0) 21 814 2000, www.pwc.co.za

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 13 years.

The engagement partner, Dilshad Khalfey, has been responsible for Genesis Medical Scheme's audit for 6 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: D Khalfey

Registered Auditor

Cape Town, South Africa

10 May 2022

GENESIS MEDICAL SCHEME

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REPORT OF THE BOARD OF TRUSTEES

For the year ended 31 December 2021

The Board of Trustees hereby presents its report for the year ended 31 December 2021.

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 |
| Ms. B Hashim | External |
| Mr. B Lodewyk | External |

1.4 Registered office address and postal address

| | |
|-------------------------------------|-------------|
| 4 th Floor, The Terraces | PO Box 144 |
| Black River Park | Observatory |
| Fir Street | 7935 |
| Observatory | |
| 7925 | |

1.5 Medical scheme administrator during the year

The Scheme is self administered.

1.6 Bankers

Nedbank
PO Box 688
Cape Town
8000

1.7 Auditors

| | |
|-----------------------------|-------------|
| PricewaterhouseCoopers Inc. | PO Box 2799 |
| 5 Silo Square | Cape Town |
| V&A Waterfront | 8000 |
| 8002 | |

1.8 Registration Number

339

GENESIS MEDICAL SCHEME
Registration No. 339

REPORT OF THE BOARD OF TRUSTEES (Continued)

For the year ended 31 December 2021

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. However, the trustees decided to discontinue this facility with effect from 31 December 2020.

Members that belonged to the Private Plus benefit option paid 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 were 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 was operated strictly in terms of the rules of the Scheme.

GENESIS MEDICAL SCHEME
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REPORT OF THE BOARD OF TRUSTEES (Continued)

For the year ended 31 December 2021

2. DESCRIPTION OF SCHEME (Continued)

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 2021. 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 2021 | Private Choice | Private | Private Plus | Private Comprehensive | Total |
|---|-----------------------|----------------|---------------------|------------------------------|--------------|
| Number of members at year end | 2,621 | 4,015 | - | 2,134 | 8,770 |
| Number of beneficiaries at year end | 5,661 | 9,259 | - | 4,670 | 19,590 |
| Average number of members for the year | 2,652 | 4,112 | - | 2,146 | 8,910 |
| Average number of beneficiaries for the year | 5,750 | 9,552 | - | 4,725 | 20,027 |
| Average age of beneficiaries for the year | 32.2 | 40.1 | - | 37.9 | 37.3 |
| Pensioner ratio (beneficiaries > 65 years) | 3.80% | 13.09% | - | 10.13% | 9.70% |
| Average accumulated funds per member at year end | | | | | R99,468 |
| Dependant ratio to members at year end | 1.16 | 1.31 | - | 1.19 | 1.23 |
| Average net contributions per member per month | 2,311 | 3,507 | - | 4,385 | 3,362 |
| Average net contributions per beneficiary per month | 1,066 | 1,509 | - | 1,992 | 1,496 |
| Average risk claims per member per month | (1,292) | (3,144) | - | (4,422) | (2,900) |
| Average risk claims per beneficiary per month | (596) | (1,353) | - | (2,008) | (1,290) |
| Average administration costs per member per month | (268) | (406) | - | (508) | (389) |
| Average administration costs per beneficiary per month | (124) | (175) | - | (231) | (173) |
| Net risk claims as a percentage of net contributions | 56% | 90% | - | 101% | 86% |
| Administration costs as a percentage of gross contributions | 11.58% | 11.58% | - | 11.58% | 11.58% |

GENESIS MEDICAL SCHEME
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REPORT OF THE BOARD OF TRUSTEES (Continued)

For the year ended 31 December 2021

4.1 Operational statistics (Continued)

| 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% |

4.2 Accumulated funds ratio (Solvency level)

| | 2021 | 2020 |
|---|--------------------|--------------------|
| | R | R |
| The accumulated funds ratio is calculated on the following basis: | | |
| Total members' funds per Statement of financial position | 872,335,281 | 753,717,783 |
| Less: Accumulative unrealised gains | (96,747,640) | (16,047,493) |
| Accumulated funds per Regulation 29 | <u>775,587,641</u> | <u>737,670,290</u> |
| Gross annual contribution income (GCI) | 359,481,930 | 359,389,469 |

GENESIS MEDICAL SCHEME
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REPORT OF THE BOARD OF TRUSTEES (Continued)

For the year ended 31 December 2021

4.2 Accumulated funds ratio (Solvency level) (Continued)

Accumulated funds ratio:

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

| | | |
|--|------|------|
| = Accumulated funds ratio per Regulation 29 (1) of the Act | 216% | 205% |
|--|------|------|

| | | |
|---|------|------|
| 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: | 216% | 213% |
|---|------|------|

4.3 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.

4.4 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.

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REPORT OF THE BOARD OF TRUSTEES (Continued)

For the year ended 31 December 2021

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 six members of which two are members of the Board of Trustees. The majority of the Committee members are not officers of the Scheme. The Committee met on four occasions during the year.

The Chairman of the Scheme and the external auditors have unrestricted access to the Chairman of the Committee. In accordance with the provisions of the Act, the primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems and financial reporting practices. 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.

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REPORT OF THE BOARD OF TRUSTEES (Continued)For the year ended 31 December 2021

10. GENERAL (Continued)*Investment limits*

The Medical Schemes Act prescribes limits within which a medical scheme may invest assets in excess of the minimum reserves that must be maintained to ensure the solvency reserve contemplated at regulation 30 to the Act. Due to the substantial increase in the market value of the Scheme's investments in equities, at 31 December 2021 the Scheme exceeded the 40% limit prescribed by regulation 30(3) by 5.1%. By using the cost value of the investments, the Scheme was comfortably within the limit prescribed. The Scheme has availed itself of the remedy prescribed at regulation 30(3A) and it is awaiting an exemption from the Registrar of Medical Schemes. The Scheme's solvency reserve comfortably exceeds the prescribed minimum by some eight times.

2021 in review

The year 2021 was little different from 2020. The issue of the COVID-19 pandemic has left an indelible mark on the world. Genesis did not escape. Our staff were compelled to work shifts in two teams in case of illness by even one employee that would force the quarantine of the entire team.

This situation caused the closure of the switchboard due to staff shortages as employees took ill. Everyone suffered – staff and members and service providers alike – all of which was beyond our control.

During the year the Scheme lost a long time employee, Carlo Stanley, to COVID-19 related causes. Carlo was a long standing loyal member of staff who is sorely missed. Once again we extend our deepest condolences to his family and friends. Several other members of staff also contracted COVID-19 necessitating an extra workload on colleagues. The trustees thank all members of the Scheme and members of staff for their understanding and willingness to keep the ship sailing during the extraordinary year.

Financial results

The Scheme is proud of its record of not having increased contributions by more than R85 per month during the past seven years. This situation is made possible due to the sound governance and administrative controls employed. During these difficult times, the trustees have been able to utilise the Scheme's substantial reserves to keep contributions as low as possible to help members as much as possible. The surplus for the current year under review is almost entirely due to an unrealised revaluation of the Scheme's investments. The actual surplus of the Scheme's risk business was R38,7 million.

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REPORT OF THE BOARD OF TRUSTEES (Continued)

For the year ended 31 December 2021

10. GENERAL (Continued)

Carte Blanche

Towards the end of 2021 several members and former members of the Scheme took to making factually and legally baseless defamatory statements about Genesis on the TV program, Carte Blanche. Unfortunately, the legally binding provision of the Medical Schemes Act and the Scheme's rules prevented it from appearing on the program to refute and dispute every allegation made. It is indeed unfortunate that some members that demand benefits to which they are not entitled and for which they have not paid are able to use a public platform to defame the Scheme.

All of the matters raised on the program are the subject of appeal before the appropriate tribunal.

COVID-19 related claims

During the year, the Minister of Health designated COVID-19 a prescribed minimum benefit. The effect of this determination meant that all medical schemes were compelled to use their reserves to pay for vaccines and COVID-19 related illness. The cost to members of Genesis for vaccinations and related illness during 2021 amounted to in excess of R55 million.

The Scheme's substantial reserves ensured that there was no risk to the Scheme's ability to continue as a going concern.

Looking forward

The COVID-19 landscape is changing rapidly and making predictions difficult. This coupled with the war in Ukraine indicates some uncertainty in regard to the cost of living and inflation in general. During 2021, the Scheme saw a reduction in membership of 377 members with financial hardship being offered in the majority of cases as the reason for leaving.

Due to the relatively low claims during 2021, due to COVID-19 and overcrowded hospitals, the trustees expect a semblance of normality returning to claims patterns. Higher claims are accordingly expected during 2022. The trustees have budgeted to use the Scheme's reserves as far as possible to absorb the expected higher claims.

In closing

The trustees express thanks to the loyal and dedicated Management Team and members of staff that have endured very trying and difficult times during 2021. Despite the hardships and difficulties, the financial results are very pleasing and must give comfort to every member. The results of sound governance and solid financial controls are evident in the Scheme's performance during the past year.

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REPORT OF THE BOARD OF TRUSTEES (Continued)For the year ended 31 December 2021

11. COVID-19

Since March 2020, South Africa has been exposed to the direct and indirect impact of the COVID-19 pandemic. Medical schemes have experienced specific challenges during the pandemic due to the specific demands and operational effects that COVID-19 has triggered within the healthcare industry. Due to the Scheme's positive solvency position, management are comfortable that the ongoing impact of the pandemic, both direct and indirect, will not hinder the Scheme's ability to meet its obligations as they fall due or to continue as a going concern. However, management have analysed the impact of COVID-19 and vaccines on the Scheme. The outcome of the assessment is reflected below:

Impact analysis on claims expenditure: Direct costs

The total direct COVID-19 claims cost for 2021 was R45.3 million. This translates into a cost of R474 per member per month (pmpm) if spread across the full calendar year of 2021. During 2021, the Scheme detected 181 COVID-19 cases which resulted in hospital admissions and 49 resulted in death by 31 December 2021. Year-to-date 31 March 2022 has seen no positive cases which resulted in hospital admissions.

Impact analysis on claims expenditure: Vaccine costs

The Nappi codes of the Pfizer and Johnson & Johnson (J&J) vaccinations, together with the administration fee Nappi code, are used to identify the number of vaccines administered over time for the Scheme. As of 31 December 2021, the Scheme has paid R3.3 million towards vaccinations. A total number of 4966 beneficiaries have been vaccinated, which represents 25% of all beneficiaries. With the continuation of vaccination and boosters being offered for each different variant, it is expected that vaccine costs will continue to occur throughout 2022.

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.

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REPORT OF THE BOARD OF TRUSTEES (Continued)

For the year ended 31 December 2021

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 | 6 | 6 | 4 | 4 |
| D Welsh | 6 | 6 | 4 | 4 |
| R Metz | 6 | 6 | | |
| LDR Van der Merwe | 6 | 6 | | |
| H Kruger | 6 | 6 | | |
| AC Gouws | | | 4 | 4 |
| B Hashim | | | 4 | 3 |
| B Lodewyk | | | 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 22 April 2022.

GENESIS MEDICAL SCHEME
Registration No. 339

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Notes | 2021 R | 2020 R |
|-------------------------------------|----------|--------------------|--------------------|
| <u>ASSETS</u> | | | |
| Non-current assets | | 392,693,594 | 274,142,094 |
| Property, plant and equipment | | 387,989 | 491,908 |
| Right-of-use assets | | 9,071,348 | - |
| Financial assets - investments | | 383,234,257 | 273,650,186 |
| Current assets | | 548,812,005 | 550,072,749 |
| Right-of-use asset | | - | 1,582,311 |
| Trade and other receivables | | 1,578,507 | 1,179,292 |
| Cash and cash equivalents | | 547,233,498 | 547,311,146 |
| Total assets | | 941,505,599 | 824,214,843 |
| <u>FUNDS AND LIABILITIES</u> | | | |
| Members' funds | | 872,335,281 | 753,717,783 |
| Accumulated funds | | 872,335,281 | 753,717,783 |
| Non-current liabilities | | 7,852,621 | - |
| Lease liabilities | | 7,852,621 | - |
| Current liabilities | | 61,317,697 | 70,497,060 |
| Savings plan liability | | - | 471,982 |
| Trade and other payables | | 32,477,819 | 37,664,383 |
| Lease liabilities | | 1,325,510 | 2,045,343 |
| Outstanding claims provision | 3 | 27,514,368 | 30,315,352 |
| Total funds and liabilities | | 941,505,599 | 824,214,843 |

GENESIS MEDICAL SCHEME
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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | Notes | 2021 R | 2020 R |
|--|----------|----------------------|----------------------|
| Net contribution income | 4 | 359,500,800 | 346,499,759 |
| Relevant healthcare expenditure | | (310,098,221) | (241,756,067) |
| Net claims incurred | | (310,098,221) | (241,756,067) |
| Claims incurred | | (310,267,335) | (242,464,495) |
| Third party claim recoveries | | 169,114 | 708,428 |
| Gross healthcare result | | 49,402,579 | 104,743,692 |
| Broker service fees | | (1,954,239) | (1,927,111) |
| Administration costs | | (41,645,730) | (40,370,800) |
| Trustees fees | | (711,297) | (585,033) |
| Net impairment profit/(losses) on healthcare receivables | | 5,661 | (11,548) |
| Net healthcare result | | 5,096,974 | 61,849,200 |
| Other income | | 113,520,524 | 16,362,712 |
| Investment income | 5 | 113,755,428 | 16,662,034 |
| Other income | | - | 21,347 |
| Finance cost | | (234,904) | (320,669) |
| Total comprehensive income for the year | | 118,617,498 | 78,211,912 |

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STATEMENT OF CHANGES IN FUNDS AND RESERVES

For the year ended 31 December 2021

| | Revaluation reserve R | Accumulated funds R | Total members' funds R |
|---------------------------------------|--------------------------------------|------------------------------------|---------------------------------------|
| Balance as at 31 December 2019 | - | 675,505,871 | 675,505,871 |
| Net surplus for the year | - | 78,211,912 | 78,211,912 |
| Balance as at 31 December 2020 | - | 753,717,783 | 753,717,783 |
| Net surplus for the year | - | 118,617,498 | 118,617,498 |
| Balance as at 31 December 2021 | - | 872,335,281 | 872,335,281 |

GENESIS MEDICAL SCHEME
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STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| Notes | 2021 R | 2020 *(R) R |
|---|---------------------|------------------------|
| Cash flows from operating activities | | |
| Cash receipts from members and providers | 359,447,456 | 347,453,413 |
| Cash receipts from members - contributions | 359,274,529 | 346,748,797 |
| Cash receipts from members and providers – Other | 172,927 | 704,616 |
| Cash paid to providers, employees and members | (360,686,634) | (281,198,312) |
| Cash paid to providers and members - claims | (318,060,526) | (231,868,321) |
| Cash paid to providers and employees - non healthcare expenditure | (42,154,126) | (41,761,957) |
| Cash paid to members - savings plan refunds | (471,982) | (7,568,034) |
| Interest received | 19,602,672 | 26,336,847 |
| Dividend income received | 13,457,019 | 6,865,609 |
| Net cash flows from operating activities | 31,820,513 | 99,457,557 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (117,882) | (248,769) |
| Proceeds on disposal of property, plant and equipment | - | 1,199 |
| Purchase of investments | (31,186,810) | (53,035,339) |
| Proceeds on disposal of investments | 1,892,800 | - |
| Net cash flows used in investing activities | (29,411,892) | (53,282,909) |
| Cash flows from financing activities | | |
| Principal elements of lease payments | (2,486,269) | (2,411,083) |
| Net cash flows used in financing activities | (2,486,269) | (2,411,083) |
| Net (decrease)/increase in cash and cash equivalents | (77,648) | 43,763,565 |
| Cash and cash equivalents at beginning of the year | 547,311,146 | 503,547,581 |
| Cash and cash equivalents at the end of the year | 547,233,498 | 547,311,146 |

* The Scheme has retrospectively adopted the direct method for cash flow reporting as encouraged in IAS7 and requested by the Council for Medical Schemes.

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NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021. 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** During 2021 the Council for Medical Schemes (CMS) published Circular 52 of 2021: Statement of Cash Flows. In the circular it was noted that Paragraph 19 of IAS 7 encourages entities to report cash flows from operating activities using the direct method. The Council for Medical Schemes (CMS) introduced the direct method in its 2011 annual statutory return.

The Statement of Cash Flows (SOCF) has been aligned to the prescribed format as set out in Circular 52 of 2021, with the most notable changes being the reporting of cash flows from operating activities using the direct method. The cash flows from operating activities were previously reported using the indirect method.

The change in accounting policy will be applied in preparing the Financial Statements for the year ended 31 December 2021. The change is applied retrospectively, with the comparative period presented as if this accounting policy had always been applied.

Table below sets out the change in disclosure of the SOCF.

GENESIS MEDICAL SCHEME
Registration No. 339

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

| INDIRECT METHOD | 2020 R | DIRECT METHOD | 2020 R |
|---|---------------------|---|---------------------|
| Cash flows from operating activities | | Cash flows from operating activities | |
| Cash flows from operations before working capital changes | 63,955,398 | Cash receipts from members and providers | 347,453,413 |
| Working capital changes: | | Cash receipts from members contributions | 346,748,797 |
| Decrease/(Increase) in trade and other receivables | 431,579 | Cash receipts from members and providers – Other | 704,616 |
| Increase in trade and other payables | 13,183,043 | Cash paid to providers, employees and members | (281,198,312) |
| (Decrease) in outstanding claims provision | (3,746,884) | Cash paid to providers and members - claims | (231,868,321) |
| (Decrease) in savings plan liability | (7,568,035) | Cash paid to providers and employees - non healthcare expenditure | (41,761,957) |
| Interest received | 26,336,847 | Cash paid to members - savings plan refunds | (7,568,034) |
| Dividend income received | 6,865,609 | Interest received | 26,336,847 |
| Net cash flows from operating activities | 99,457,557 | Dividend income received | 6,865,609 |
| Cash flows from investing activities | | Net cash flows from operating activities | 99,457,557 |
| Purchase of equipment | (248,769) | Cash flows from investing activities | |
| Purchase of investments | (53,035,339) | Purchase of property, plant and equipment | (248,769) |
| Proceeds from sale of property, plant and equipment | 1,199 | Purchase of investments | (53,035,339) |
| Net cash flows from investing activities | (53,282,909) | Proceeds on disposal of property, plant and equipment | 1,199 |
| Cash flows from financing activities | | Net cash flows used in investing activities | (53,282,909) |
| Principal elements of lease payments | (2,411,083) | Cash flows from financing activities | |
| Net cash flows from financing activities | (2,411,083) | Principal elements of lease payments | (2,411,083) |
| Net increase in cash and cash equivalents | 43,763,565 | Net cash flows used in financing activities | (2,411,083) |
| Cash and cash equivalents at beginning of the year | 503,547,581 | Net increase in cash and cash equivalents | 43,763,565 |
| Cash and cash equivalents at the end of the year | 547,311,146 | Cash and cash equivalents at beginning of the year | 503,547,581 |
| | | Cash and cash equivalents at the end of the year | 547,311,146 |

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

For the year ended 31 December 2021

3. OUTSTANDING CLAIMS PROVISION

| | Not Covered by Risk Transfer Arrangements | Not Covered by Risk Transfer Arrangements |
|--|--|--|
| | 2021 R | 2020 R |
| Provision for outstanding claims – incurred but not yet reported | 27,514,368 | 30,315,352 |
| Provision arising from liability adequacy test | - | - |
| | 27,514,368 | 30,315,352 |
| Analysis of movements in outstanding claims: | | |
| Balance at beginning of year | 30,315,352 | 34,062,236 |
| Payments in respect of prior year | (27,851,155) | (26,111,005) |
| Over provision in prior year | 2,464,197 | 7,951,231 |
| Adjustment for current year | 25,050,171 | 22,364,121 |
| Balance at end of year | 27,514,368 | 30,315,352 |
| Analysis of outstanding claims provision: | | |
| Estimated gross claims | 27,514,368 | 30,325,104 |
| LESS: Estimated recoveries from savings plan accounts | - | (9,752) |
| Balance at end of year | 27,514,368 | 30,315,352 |

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 05 April 2022 (2020: 08 April 2021).

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NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

3. OUTSTANDING CLAIMS PROVISION (Continued)

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

| | 2021 | 2020 |
|--------------------------------|--------------------|--------------------|
| | R | R |
| Gross contributions | 359,481,930 | 359,389,469 |
| Less: Savings contributions | 18,870 | (12,889,710) |
| Net contribution income | 359,500,800 | 346,499,759 |

5. INVESTMENT INCOME

| | 2021 | 2020 |
|--|--------------------|-------------------|
| | R | R |
| Financial assets at fair value through profit or loss: | | |
| Financial assets – dividend income | 13,457,019 | 6,865,609 |
| Net fair value gain/(loss) on assets held at fair value through profit or loss | 80,290,062 | (15,994,095) |
| Financial assets at amortised cost: | | |
| Cash and cash equivalents interest income | 20,008,347 | 25,790,520 |
| Total investment income for the year | 113,755,428 | 16,662,034 |

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.

GENESIS MEDICAL SCHEME
Registration No. 339

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

6. RELATED PARTY TRANSACTIONS (Continued)

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.

| | 2021 R | 2020 R |
|---|-------------------|-------------------|
| Compensation | | |
| Short term employment benefits | 13,980,078 | 14,036,530 |
| Contributions and claims | | |
| Gross contributions received | (283,410) | (351,615) |
| Claims paid from the Scheme | 322,412 | 122,944 |
| Total related party transactions | 14,019,080 | 13,807,859 |

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. |

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.

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

For the year ended 31 December 2021

8. COVID-19

Since March 2020, South Africa has been exposed to the direct and indirect impact of the COVID-19 pandemic. Medical schemes have experienced specific challenges during the pandemic due to the specific demands and operational effects that COVID-19 has triggered within the healthcare industry. Due to the Scheme's positive solvency position, management are comfortable that the ongoing impact of the pandemic, both direct and indirect, will not hinder the Scheme's ability to meet its obligations as they fall due or to continue as a going concern. However, management have analysed the impact of COVID-19 and vaccines on the Scheme. The outcome of the assessment is reflected below:

Impact analysis on claims expenditure: Direct costs

The total direct COVID-19 claims cost for 2021 was R45.3 million. This translates into a cost of R474 per member per month (pmpm) if spread across the full calendar year of 2021. During 2021, the Scheme detected 181 COVID-19 cases which resulted in hospital admissions and 49 resulted in death by 31 December 2021. Year-to-date 31 March 2022 has seen no positive cases which resulted in hospital admissions.

Impact analysis on claims expenditure: Vaccine costs

The Nappi codes of the Pfizer and Johnson & Johnson (J&J) vaccinations, together with the administration fee Nappi code, are used to identify the number of vaccines administered over time for the Scheme. As of 31 December 2021, the Scheme has paid R3.3 million towards vaccinations. A total number of 4966 beneficiaries have been vaccinated, which represents 25% of all beneficiaries. With the continuation of vaccination and boosters being offered for each different variant, it is expected that vaccine costs will continue to occur throughout 2022.

GENESIS MEDICAL SCHEME
Registration No. 339

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

9. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

| | Private Choice 2021 R | Private 2021 R | Private Plus * 2021 R | Private Comprehensive 2021 R | Total Scheme 2021 R |
|--|--------------------------------|----------------------|-----------------------------|---------------------------------------|---------------------------|
| 2021 | | | | | |
| Net contribution income | 73,554,666 | 173,019,878 | - | 112,926,256 | 359,500,800 |
| Relevant healthcare expenditure | (41,112,970) | (155,114,932) | - | (113,870,319) | (310,098,221) |
| Net claims incurred | (41,112,970) | (155,114,932) | - | (113,870,319) | (310,098,221) |
| Claims incurred | (41,153,156) | (155,243,860) | - | (113,870,319) | (310,267,335) |
| Third party claim recoveries | 40,186 | 128,928 | - | - | 169,114 |
| Gross healthcare result | 32,441,696 | 17,904,946 | - | (944,063) | 49,402,579 |
| Broker service fees | (368,998) | (1,226,594) | - | (358,647) | (1,954,239) |
| Administration costs | (8,522,464) | (20,041,078) | - | (13,082,188) | (41,645,730) |
| Trustees fees | (145,489) | (342,540) | - | (223,268) | (711,297) |
| Net impairment gains | - | 5,661 | - | - | 5,661 |
| Net healthcare result | 23,404,745 | (3,699,605) | - | (14,608,166) | 5,096,974 |
| Other income | 23,173,610 | 54,709,779 | - | 35,637,135 | 113,520,524 |
| Investment income | 23,221,356 | 54,822,142 | - | 35,711,930 | 113,755,428 |
| Finance costs | (47,746) | (112,363) | - | (74,795) | (234,904) |
| Net surplus for the year | 46,578,355 | 51,010,174 | - | 21,028,969 | 118,617,498 |
| Member numbers as at 31/12/2021 | 2,621 | 4,015 | - | 2,134 | 8,770 |

GENESIS MEDICAL SCHEME
Registration No. 339

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

9. SURPLUS FROM OPERATIONS PER BENEFIT OPTION (Continued)

| | Private Choice 2020 R | Private 2020 R | Private Plus * 2020 R | Private Comprehensive 2020 R | Total Scheme 2020 R |
|--|--------------------------------|----------------------|-----------------------------|---------------------------------------|---------------------------|
| 2020 | | | | | |
| Net contribution income | 69,997,650 | 138,112,508 | 68,751,985 | 69,637,616 | 346,499,759 |
| Relevant healthcare expenditure | (30,488,464) | (103,436,542) | (49,794,296) | (58,036,765) | (241,756,067) |
| 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 |
| Gross healthcare result | 39,509,186 | 34,675,966 | 18,957,689 | 11,600,851 | 104,743,692 |
| 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) | - | - | (11,548) | - | (11,548) |
| Net healthcare result | 31,206,219 | 17,846,943 | 9,331,369 | 3,464,669 | 61,849,200 |
| Other income | 3,095,452 | 6,204,422 | 3,971,960 | 3,090,878 | 16,362,712 |
| 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) |
| Net surplus for the year | 34,301,671 | 24,051,365 | 13,303,329 | 6,555,547 | 78,211,912 |
| Member numbers as at 31/12/2020 | 2,717 | 3,381 | 1,662 | 1,387 | 9,147 |

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