

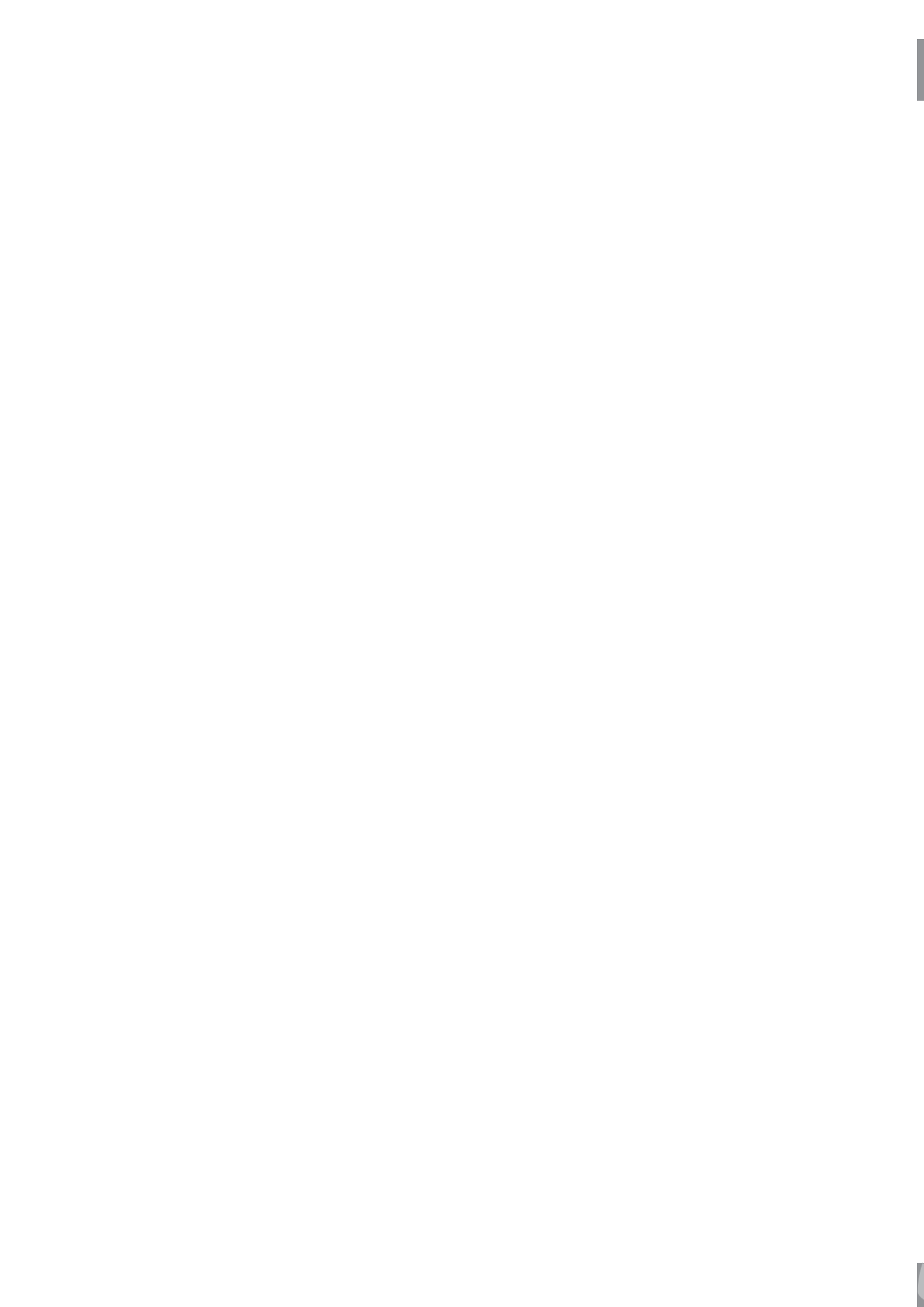


**BOTSWANA PUBLIC OFFICERS'  
MEDICAL AID SCHEME**

*Your health is our concern!*

# **Annual General Meeting Report**

For the Financial  
**Year 2016/17**



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**NOTICE IS HEREBY GIVEN  
THAT THE 2017 ANNUAL GENERAL MEETING (AGM) OF MEMBERS  
WILL BE HELD AT BOIPUSO HALL, FAIRGROUNDS, GABORONE,  
ON 28 NOVEMBER 2017 AT 14:00HRS**

**AGENDA**

1. NOTICE AND CONSTITUTION OF THE MEETING
2. ADOPTION OF AGENDA
3. APOLOGIES FOR NON-ATTENDANCE
4. CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING (AGM) HELD ON 24 JANUARY 2017
5. MATTERS ARISING FROM THE MINUTES
6. OVERALL BUSINESS UPDATE BY THE PRINCIPAL OFFICER
7. RECEIPT AND ADOPTION OF THE MANAGEMENT COMMITTEE (MANCO) REPORT FOR THE YEAR ENDED 31 MARCH 2017
8. RECEIPT AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017
9. APPOINTMENT OF EXTERNAL AUDITORS
10. ANY OTHER BUSINESS FOR WHICH DUE NOTICE HAS BEEN GIVEN.

(\*Note: Notices of motions to be placed before the meeting must reach the Principal Officer at the BPOMAS Office, Plot 61918, Fairgrounds Office Park, Gaborone no later than 7 days prior to the date of the meeting)

11. DATE OF THE NEXT MEETING

**BY ORDER OF THE MANAGEMENT COMMITTEE**

**QUESTION AND ANSWER SESSION**

In terms of the Rules, a member may appoint a proxy to attend the Annual General Meeting and vote in his stead. A proxy form is attached and must be received by the Scheme Administrators, at least 24 hours, prior to the meeting.

**October 2017**

**APPOINTMENT OF PROXY FORM**

If you cannot attend the Annual General Meeting of the Botswana Public Officers' Medical Aid Scheme (BPOMAS) to be held on the **28<sup>TH</sup> November 2017 at 14:00HRS at Boipuso Hall, Fairgrounds, Gaborone**, and you are entitled to vote at the Annual General Meeting, you may appoint a proxy to vote on your behalf. This proxy only applies to the Annual General Meeting, and any adjournment of that meeting.

**A. YOUR DETAILS**

**FULL NAMES**

**MEMBERSHIP NO.**

**POSTAL ADDRESS EMAIL**


**B. WHO DO YOU WANT TO APPOINT AS YOUR PROXY**

I appoint as my proxy (tick one (1) box only):

Chairperson of the Annual General Meeting

If you appoint the Chairperson as your proxy, and direct the Chairperson on how to vote, the Chairperson must call a poll on that vote and must vote the way you direct.

OR

The following person

If you want to appoint someone else, give their details. If you do not provide a name, you will be taken to have appointed the Chairperson as your proxy.

**FULL NAMES**

**MEMBERSHIP NO.**

**POSTAL ADDRESS**

**EMAIL ADDRESS**


Only tick the appropriate box if you want to direct your proxy how to vote. If you mark the ABSTAIN box, you are directing your proxy not to vote at the Annual General Meeting and your vote will not be counted when calculating whether the required majority of members have passed the resolution.

**Item 1:** Adoption of the Audited Financial Statements for the year ended 31 March 2017

YES		NO		ABSTAIN	
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**Item 2:** Appointment of external auditors

YES		NO		ABSTAIN	
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**Item 3:** Adoption of the report of the Management Committee to members for the year ended 31 March 2017

YES		NO		ABSTAIN	
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DATE: \_\_\_\_\_ SIGNATURE: \_\_\_\_\_

\*A proxy nomination shall only be given to a member of the Scheme.  
\*The instrument appointing the proxy must be deposited at the office of the Administrators of the Scheme at the under mentioned address; not later than 24hrs before the time for holding the Annual General Meeting. AFA House, Plot 61918, Showgrounds Office Park, P O Box 1212, Gaborone, Tel: 365 0540, Fax: 3951165



## Minutes of the Annual General Meeting

MINUTES OF THE ANNUAL GENERAL MEETING OF THE MEMBERS HELD ON FRIDAY 24 JANUARY 2017, AT FAIRGROUNDS HOLDINGS (ANNEX HALL), AT 14:00

### 1. PRESENT

S El-Halabi	Ministry of Health (Chairperson)
O Masimega	Ministry of Finance and Development Planning
R Nkolonyane	Directorate of Public Service Management
A Kiberu-Mosarwa	Botswana Public Employees' Union
M Motloutse	Botswana Police Service (Assistant Commissioner)
M D Setshego	Botswana Land Boards & Local Authorities & Health Workers' Union
C Gwere	Independent
Brigadier K Kgaswanyane	Botswana Defence Force

### 2. IN ATTENDANCE

#### 2.1. PRINCIPAL OFFICER'S OFFICE

T Molebatsi – Principal Officer (PO)  
T Rapae – Executive Assistant

#### 2.2. ADMINISTRATORS-AFA BOTSWANA (PTY) LTD

D Thela  
T Matutu  
J Buno  
M Matome  
S Hlope  
P Motshegwa  
T Motlaloso  
L Keloneilwe (Recording)

#### 2.3. BY INVITATION- AUDITORS - PricewaterhouseCoopers (PwC)

S Edirisinghe  
W Makolage

### 3. NOTICE AND CONSTITUTION OF THE MEETING

The Chairperson announced that with a total of **130** members personally present and **634** proxies, the meeting was duly constituted.

The notice of the meeting having been duly circulated was taken as read and approved; following a proposal by **Ms F Lebengwa**, seconded by **Mr I Manyake**.

### 4. APOLOGIES FOR NON-ATTENDANCE

No apologies were received.

### 5. ADOPTION OF THE AGENDA

The agenda was adopted following a proposal by **Ms F Lebengwa**, seconded by **Mr I Manyake**.

## 6. CHAIRMAN'S OPENING REMARKS

The Chairperson welcomed all the members present and introduced the Management Committee, the Principal Officer, the Administrators and the Auditors.

## 7. CONFIRMATION OF THE MINUTES OF THE SPECIAL GENERAL MEETING(SGM) HELD ON 03 JUNE 2016

The minutes were considered and approved as a true record of the proceedings, on proposal by **Mr E Simonyi**, seconded by **Mr M P Tumaletse** subject to the following corrections and would be signed by the Chairperson:

- Page 6, minute 1, replace the name "Lt. Col M Motloutse" with "Assistant Commissioner M Motloutse";
- Page 8, minute 9, bullet point one(1), correct the word "a foregoing" to "aforegoing";
- Page 8, minute 9, last bullet point correct the name "Ms R Letsatsi" to read "Ms R Letsatle";
- Page 10, minute 10, correct the amount "**P-P8.7M**" under paragraph 2, to read "**P8.7M**";
- Page 12, minute 11 last bullet point, third line, delete the word "there", for the sentence to read "It was explained that in some instances..."

## 8. MATTERS ARISING FROM THE MINUTES

1. **Update of signing of minutes of meeting held on 02 April 2012 as per Minute 7-Done.**
2. **Update on consideration to cover or reward single members to at least include or cover one parent as married people covered their spouses as per Minute 10-Done** - Within the BPOMAS strategy that was being finalised, ManCo had considered opening for coverage of parents and parents in law. This, together with other strategy initiatives that required approval by general membership would be brought forward once completed for consideration by the membership, then presented to NBFIRA and cabinet accordingly.
3. **Update on analysing and monitoring the increase in Health Care Costs as per Minute 10, Page 10-** There had been a decrease of 1.2% in healthcare costs. As indicated in the report, through the turnaround strategy areas that contributed to escalation in healthcare costs had been identified and the health risk management program and other cost containment measures subsequently implemented. This resulted in the reduction in healthcare costs as indicated. Other cost containment measures, e.g., limit on doctor dispensing, managed care for radiology and pathology, Wellness and Chronic Disease management program, etc. continued to be implemented.
4. **Update on submission of suggestions of which benefits to include for consideration by ManCo as per Minute 11, Page 13-** No submissions of suggestions from members were received as was requested by ManCo.
5. **Update on discussions with the Government regarding exemption of VAT from healthcare as per Minute 11, Page 13-** ManCo had previously made the request for exemption of healthcare costs to cabinet, but was unsuccessful. ManCo was also of the view that with the current state of the economy, it was unlikely that government would consider exempting VAT from healthcare. However, ManCo, through the Scheme Actuaries was analysing the cost of absorption of VAT and/or co-payment in some



benefit lines, particularly in-patient. A recommendation would be made accordingly following completion of the exercise.

6. **Update on amendment of Clause 3.2, Page 69 of the AGM Report, under Investments, by replacing the “Administrator” with the “Principal Officer” as per Minute 11, Page 13- Done**

#### Comments from members

- **Mr Marumo** asked whether members could still make submissions/proposals however the PO advised that although they could still submit their proposals, they would only be considered at the next AGM as the proposals were meant to inform the Turnaround Strategy.
- **Ms L Senai** asked if the proposals could be sent by individual members or if they had to be sent as a group and it was explained that any member of the Scheme could send their proposals either as an individual or as a group.

#### 9. **CONSIDERATION AND ADOPTION OF THE REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR 2015/16**

The Chairperson presented the Report which had been circulated to the members and taken as read. The following points were highlighted:

- **Group Financial Performance**

Group revenue was made of Income from contributions and Rental Income earned by BPOMAS Property Holdings (BPH) and increased by **17%** from **P546.2M** in 2014/2015, to **P637.3M** in 2015/2016 largely due to an increase of **17%** in Contributions income. Group Operating Surplus was **P53.46M** as compared to a Deficit of **P30.76M** in prior year. Total Comprehensive Income for the year was **P57.42M** compared to a loss of **P30M** in prior year. The improved Group financial performance was largely due to increase in contributions income coupled with reduction in cost of service.

- **Scheme Financial Performance**

Gross Contribution Income (GCI) for the year was **P606M**, up by **17%** from **P517.69M** in 2014/2015 financial year. GCI increased relative to prior year due to general membership growth, family (member) composition and higher than budgeted membership growth for the Premium Option. Net finance income grew by **213%** from **P5.69M** in prior year to **P17.83M**. Healthcare costs amounted to **P491.3M**, down by **1.2%** from **P499.4M**. The decrease in healthcare costs was worth noting as historically the scheme had been recording increases in claim cost with an average annual increase in excess of **10%** over the last five (5) years. The improvement was due to the health risk management strategies as well as cost containment efforts implemented during the year as part of the Turnaround Strategy. In total, Healthcare costs were **81%** of contribution income, down from **96%** in prior year, but marginally above the target of **80%**. Other member related expenses grew by **6%** from **P12.6M** in 2014/2015 to **P13.3M** in 2015/2016. Medical services and Managed Care costs were **2%** of contribution income, which was same as prior year.

Administrative expenses amounted to **P77.42M**, up by **21%** from the 2014/2015 figure. This increase was mainly due to the increase in Administration costs which were linked to contribution income. Administrative expenses amounted to **13%** of

contribution income, up from **12%** in prior year, but within the BPOMAS Rules target of **14%**. Overall, the Scheme recorded a surplus of **P46.7M** as compared to the previous year's deficit of **P50.5M**. Solvency grew from **38%** recorded in the prior year to **41%**, which is above the target of **25%**.

- **Membership and other indicators**

Membership grew marginally by **1%** from **72,427** principal members in prior year to **73,273** principal members. Total lives covered stood at **174,501**, up from **172,639** recorded in the prior year. The High Benefit Option remained the most popular benefit option and had **87.5%** of all Scheme members, followed by the Standard Benefit option at **9.8%** and the Premium Benefit option at **2.7%**. The average age of the Scheme was **43** years based on principal members and **29** years based on total lives covered. The number of members registered in Chronic Ailment Benefit Management Program for Non-Communicable Diseases (NCD) was **11 581**, constituting **6.6%** of total lives covered. The number of members registered in the HIV/ AIDS Disease Management Program was **9 904**, constituting **5.7%** of total lives covered. These figures represented an increase of **5.9%** and **1.8%** for NCD and HIV/AIDS programs respectively over the prior year.

- **Access to Healthcare Services**

During the year under review about **73 069** beneficiaries were facilitated access to health care services per quarter. An average of **42 416 (89%)**, **1 088 (3%)** and **3 977 (8%)** beneficiaries belonging to the High, Premium and Standard Benefit Options, respectively, accessed healthcare service and claimed on average less than **P1 000** per quarter. The category included low cost but high frequency claimers and formed the bulk (**47 480** out of **73 069** or **65%**) of the Scheme beneficiaries who claimed for services at an average quarterly cost of less than **P1 000** during the year under review. In essence, **65%** of the beneficiaries who claimed during the year had claims below **P1 000** per beneficiary per quarter. On the extreme end **833 (91%)**, **77 (8%)** and **5 (1%)** beneficiaries belonging to the High, Premium and Standard Benefit Options, respectively, accessed healthcare service and claimed on average more than **P10 000** per quarter. The category included low frequency but high cost claimers and had **914** beneficiaries out of **73 069** (or **1%**) of the Scheme beneficiaries who claimed for services at an average quarterly cost of more than **P10 000** during the year under review. The **Top 4** most accessed disciplines by cost for the combined benefit options during the 2015/16 financial year were general practitioners, private hospitals, pharmacies and specialist medical practitioners. This trend was not different from prior years' experience.

- **Third Party Contracts**

The Scheme operated a completely outsourced model and the active key third party contracts were noted which included Administration (Associated Fund Administrators Botswana (AFA)); Actuarial Consultancy (Deloitte Consulting); External Auditors (PricewaterhouseCoopers (PwC)); Asset Consultancy (Alexander Forbes); Funeral Benefit Underwriter (Botswana Life Insurance Company) and Emergency Medical Services (Medical Rescue International Botswana).

It was highlighted that the Administration Contract was coming to an end at the end of March 2018 and would go out for tender by end of June 2017. It was further highlighted that with respect to the Audit Contract, the auditors had already commenced with the 2015/16 audit by the time the last AGM was held and were still busy with the audit. It would therefore under Agenda item 8, be proposed that the auditors should also audit

the 2016/17 financial year, thereby extending their contract to March 2017. In the interim the Scheme Procurement process would be followed for appointment of external auditors for the financial year 2017/18.

- **Corporate Governance**

The Scheme was managed by ManCo which consisted of eight (8) members, two (2) of which were independent members as well as two (2) alternate members and would serve a renewable term of three (3) years. In terms of the Rules the Minister of Health and Wellness is the appointing authority and the Chairperson of ManCo shall be the Permanent Secretary (PS) in the Ministry of Health and Wellness. Responsibilities of ManCo included providing strategic direction to the Scheme, ensuring compliance to regulatory requirements and upholding good Corporate Governance. Though not officially adopted KING III Code of Governance had been used as a guide for corporate governance by ManCo. The Investment Sub-Committee, Tender Committee and Finance and Audit Committee were in place to assist ManCo deliver its mandate in line with relevant Charters. Furthermore, ManCo had since February 2016 employed a Principal Officer responsible for overseeing the day to day running of the Scheme and would provide a key link between ManCo and the appointed third parties at an operational level.

- **Other Issues**

The Scheme would seek to be proactive by ensuring the wellness of members and thus contributing to the cost containment of the Scheme. The Chairperson concluded her Report to Members by pleading for the continued belief and support in the ManCo pertaining to their efforts to improve the Scheme performance.

**Comments from members:**

- **Ms Bolokwe** asked what the Scheme was doing to attract the younger generation to its membership; whether the Ministry Of Health (MoH) was aware of Doctors who were performing C-sections unnecessarily for monetary gain as well as raised concern that orthodontists were expensive despite them not having competent. The member further asked who would be responsible in case of negligence as Lendmed Bokamoso Private Hospital had a disclaimer. In conclusion the member suggested that the Scheme should increase the cover for those dependents who cannot afford medical aid cover or have no jobs at all.

In response it was clarified that at the Strategy session the Scheme identified that it was closed to a certain population of members, being Government employees. In dealing with this the Scheme looked to open up its membership to Parastatals and thus involve new entrants. It was stated that reports were made to BHF and MoH in relation to medical negligence by the service providers and relief thereof. The Administrators highlighted that C-section statistics were of concern as compared to other Countries and that there was engagement to deal with the issues. It was pointed out however that the Doctors were not employed by the Hospital and were merely renting out space for their practices; hence the Hospital could not held responsible if the actions of the Doctors amounted to medical negligence. It was concluded that independent of the rules, the dependents' age was increased from 22 to 35 years and that those not registered as dependants could still be covered under the funeral benefit.

- **Mr G Machana** suggested that for the next meeting the Scheme provide note pads

for members because the nature of the meeting required a considerable amount of notes taking. It was clarified that the reports had pages at the back for note taking. The suggestion was nonetheless noted.

- **Mr M Johannes** stated that ManCo had promised to deal with the issue regarding the child dependents that were not covered post their completion of school, yet still needed medical attention. It was clarified that the consensus was to increase the age of the child dependent to 35 years and the proposal would be taken to the regulator and consequently the Cabinet.
- **Mr L Mokgwane** congratulated ManCo for the work done thus far. He suggested the introduction of a cash back plan incentive for the members who did not have substantial claims and as a tool to attract new membership. He suggested that alternatively the Scheme channel the money into initiatives such as charity organizations. The member asked whether the Strategy document was finalized and would be brought forward to members for approval or for comments and advice. His view was that it would be easier for members to make their input at the development stage of the document.

It was explained that key highlights of the Strategy would be shared with the members so that their suggestions could be noted and incorporated where possible. It was further explained that the Scheme was engaged in assisting charitable causes albeit not with substantial amounts of money.

- **Mr K Pule** asked why the Scheme was not attractive to new members. He encouraged the Scheme to introduce incentives to attract new members and to ensure that their current members were happy for them to assist in marketing the brand. He pointed out that members were unhappy with the fact that the Scheme did not have certain Doctors on direct payment.

It was expounded that the Scheme was joined by Government employees and as such the Government was closely managing the public sector with no new positions introduced, as a result stunting the growth of the Scheme. ManCo stated that the Turnaround Strategy would take into account suggestions brought forward and measure them against sustainability through the help of actuaries and other professionals. Members were reminded that there was a disclaimer that not all doctors would be included in the Scheme direct payment for one reason or the other.

- **Ms F Lebengwa** requested that the charitable efforts made by the Scheme as alluded to above, be made part of the AGM report. The member highlighted that Boma had an out-patient care plan to cater for children who were not/could not be medically covered and proceeded to suggest that the Scheme replicate the aforementioned plan. Concern was once more expressed about the practice by Doctors to perform C-sections even though the conventional way of child birth is possible.

Concerning the replication of an out-patient plan ManCo stated that the Strategy would address such possibilities having taken into account their feasibility as would be advised by the professionals. Members were assured that the Scheme was looking at being preventative in order to curb abuse by service providers hence the introduction of the wellness and disease programmes to inform what could be prevented and what could be healed. ManCo added that the consistent profiling of services providers would also assist in curbing abuse by service providers.

- **Ms M Modise** was of the view that despite the increment of child dependent age,

if a child was above 35 years of age but not working they should be covered nonetheless. It was explained that the age cap of 35 years was consistent with the Youth Policy and hence the cover could not be extended to child dependents over the age of 35 years.

- **Mr O Releetswetse** opined that arthritis medication should be included in the Chronic Medicines. It was explained that the Scheme had a Chronic Benefit Management that was meant to assist to populate the medicine needed by members. Evidence accepted internationally was used to provide information on whether the medication could be used to help members recover or live with the ailment. Members were urged to renew their chronic benefit registration to enable the Scheme to track the change in treatment/dosage and the related price ranges thereof and to determine the cost of the medication to be covered within the financial year.
- **Ms Neo** expressed concern with the fact that the Scheme did not allow them to cover children who were under their guardianship. It was explained that the Scheme was governed by the Rules, which stated that children could only be covered if they were legally adopted by the principal member.
- **Mr B Lasaro** acknowledged the good work by ManCo. The member expressed concern that as compared to other medical aids, the pre-payment of the Scheme was higher. It was also suggested that the Scheme consider building clinics to make medical practitioners within reach. It was elucidated that a maximum of **P1000** (One thousand Pula) VAT plus co-payment was to be paid by the member per year. It was explained that some service providers did not follow the tariffs as set by the Scheme and because they were independent the Scheme could not determine set tariffs for them. The members were reminded that the decision to remove balance billers from direct payment of the Scheme was made by the members at the previous AGM.
- **Mr J Itumeleng** suggested that based on the size of the Scheme there should be consideration to establish satellite offices in Francistown and Shakawe. The response was that there had been consideration to increase the number of offices for the Scheme within the Country. In the interim members were encouraged to make use of technology and resources to simplify their experience with the Scheme.
- **Mr Moroka** mentioned that the ageing membership of the Scheme was worrisome. He stated that of the **73 273** (Seventy three thousand Two Hundred and Seventy Three) members, if **40 000** (Forty Thousand) was about to retire and with the inclusion of a child dependent to 35 years, the subscriptions would have to increase to keep the Scheme afloat. He cautioned the members to take into account such consequences when making the suggestions. ManCo echoed the sentiments by stating that the principal members would have to pay the full subscription amount equal to that of a principal member for those to be covered within the 22-35 year old bracket.
- **Mr Nametso** pointed out that after paying 10% for his high blood pressure medication the service providers informed him that they were still owed money for the medication. The member also wanted clarification of the ownership of Lenmed Bokamoso Hospital. The member was informed that claims were always paid out within thirty (30) days of receipt. In clarifying the ownership of the Hospital it was stated that BPOMAS as a Scheme owned a company called BPOMAS Property Holdings (BPOMAS PH). The latter owned the Hospital buildings and other fixed assets. Lenmed Health Bokamoso Private Hospital (LHBPH) was a company that managed the Hospital and was Co-Owned by LenMed Health (RSA) and BPOMAS BPOMAS had 30% shareholding in LHBPH while LenMed Health had 70% shareholding.

The Chairperson moved that the Report of the Management Committee for the year ended 2015/16 be adopted by the members and was seconded by **Mr Jabulani Notice**. It was **RESOLVED** that the Report of the Management Committee for the year ended 2015/16 be and is hereby adopted.

#### 10. CONSIDERATION AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED 2015/16

The Finance and Administration Manager, on behalf of the Administrators, presented the financial statements and highlighted the following:

Income from contributions increased from **P517M** in 2015 to **P606M** in 2016. Year-on-year growth was **17%**. The growth was attributable mostly to the increase in contributions. Rental Income grew from **P28.6M** in 2015 to **P31.1M** in 2016. Cost of services included health care costs, Emergency medical services and funeral benefit. The expenditure decreased from **P512M** in 2015 to **P505M** in 2016 representing a year-on-year decrease of **1%**. Claims ratios were **99%** and **83%** for 2015 and 2016 respectively indicating a better performance in 2016. Administration expenses were **P71.1M** in 2015 compared to **P87.6M** in 2016. Administration expenses included Administration fees, depreciation of property, managed care fees, repairs and maintenance, actuarial fees, etc. The Group recorded a surplus in 2016 of **P57.4M** compared to a deficit in 2015 of **P30M**. The surplus/deficit included share of profits from LHBPH and BPOMAS PH.

Investment property was valued at **P263M** in 2015 and the value had increased to **P270M** as at end of 2016. Property, plant and equipment stood at **P27.5M** in 2015 and had dropped to **P23M** in 2016 due to depreciation charges. Current assets increased significantly from **P126M** to **P173M**. Total assets increased from **P466M** to **P517M** in 2015 and 2016 respectively. Reserves grew from **P301M** in 2015 to **P359M** in 2016. Current liabilities reduced by **3%** from 2015 to 2016. The class of liabilities comprised mainly of the Scheme's provision for outstanding claims. Non-current liabilities included Deferred Tax and Govt. loan to the scheme that came in place between the two parties during the sequestration of the Hospital. That dropped from **P88M** to **P84M**.

2015 reported cash flows from operating activities of **P-32M**, Cash flow from investing activities of **P33M** and Cash flow from financing activities of **P8.7M**. Cash and cash equivalent at the beginning of the year was **P33M** whilst it was **P 25.9M** at the end of the year. On the other Hand, the Group performed better in 2016 with cash flows from operating activities of **P7.2M**, Cash flow from investing activities of **P5.2M** and Cash flow from financing activities of **P4.2M**. Cash and cash equivalent at the beginning of the year was **P25.9M** whilst it was **P 34.2M** at the end of the year.

#### Comments from members:

- **Mr T Molefe** asked if the Scheme could allow for a provision to allow for the accumulation of benefits. The member suggested that the Scheme would put in place ways to ensure that there was no abuse of the system. The suggestion was noted.
- **Ms C Pule** made reference to the balance sheet where she noted that within the fixed and current assets there was no trace of the Scheme's vehicles. It was explained that the Scheme did not own any vehicles and that the repairs and maintenance as reflected was for the Lenmed Bokamoso buildings.
- **Mr Johannes** suggested that the Scheme build a clinic in Francistown and for the AGM to be held in Francistown. The suggestions were noted.

- **Mr M Sibanda** requested that the AGM report be circulated early and also queried that when aggrieved by Bokamso Hospital and upon complaining to the Scheme via letter, he received no response. ManCo explained that the AGM report was circulated on 12 December 2016. The suggestion was nonetheless noted. The complaints procedure was then explained to the members, highlighting that in instances where an aggrieved party is not satisfied with a decision/service they can approach ManCo with the complaint after approaching the Scheme Principal Officer.
- **Mr Pule** asked why the Scheme had performed better than the preceding years. ManCo explained that the Turnaround Strategy approved in 2013 was beginning to bear fruit as shown by the decrease in claims ratios and the increase in contributions.

The Chairperson moved that the Audited Annual Financial Statements for the years ended 2015/16 be adopted by the members and was seconded by **Ms F Kamutlhabana**.

**It was RESOLVED that** the Audited Annual Financial Statements for the years ended 2015/16 be and are hereby adopted.

**11. APPOINTMENT OR RE-APPOINTMENT OF EXTERNAL AUDITORS FOR THE ENSUING YEAR**

It was highlighted that with respect to the Audit Contract, the auditors had already commenced with the 2015/16 audit by the time the last AGM (03 June 2016) was held and were still busy with the audit. It was proposed that the auditors should also audit the 2016/17 financial year, thereby extending their contract to March 2017. In the interim the Scheme Procurement process would be followed for appointment of external auditors for the financial year 2017/18.

The Chairperson proposed a one (1) year contract extension for the external auditors (i.e up to end of 2016/17) and that the motion be seconded amongst the general membership.

**It was RESOLVED that** PricewaterhouseCoopers be and are hereby appointed as external auditors of BPOMAS for the Financial Year 2016/17 on proposal by the **Mr Sibanda** and seconded by **Mr Moleboge**.

**12. ANY OTHER BUSINESS**

**Mr Moleboge** suggested that the meetings resume at **9am** as there was a lot of business to be discussed. On behalf of the Management Committee, Principal Officer and the Administrators, the Chairman thanked members present.

**13. DATE OF NEXT MEETING**

The date of the next meeting would be communicated as soon as possible to the members. In the absence of further business, the meeting adjourned at **17:25HRS**.

Read and Approved by the Chairman on this ..... day of ..... 2017.

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Chairman

## Action Sheet

	<b>ACTION ITEM</b>	<b>UPDATE</b>	<b>DUE DATE</b>
1.	Update on signing of Minutes of meeting held on 03 June 2016 as per Minute 7	<b>Done</b>	<b>Next AGM</b>
2.	Update on analysing the cost of absorption of VAT and/or co-payment in some benefit lines, particularly in-patient by Actuaries and recommendation to Government on same, Minute 5	<b>Done</b> – detailed update to be provided at the AGM	<b>Next AGM</b>
3.	Update on BPOMAS Administration Contract tender by June 2017 as per Minute 9	Following issuing of a public tender for provision of Administration services, Associated Fund Administrators Botswana (AFA) was the successful bidder and therefore awarded the tender by the Tender Committee for a term of three (3) years.	<b>Next AGM</b>
4.	Update on highlights of the BPOMAS Strategy	included in the AGM Report	<b>Next AGM</b>
5.	Charitable efforts made by the Scheme to be made part of the AGM report as Per Minute 9	To be included(if any) in the AGM Report as suggested by the members	<b>Next AGM</b>
6.	Update on consideration to cover or reward single members to at least include or cover one parent as married people are covered their spouses as per Minute 8(2)	As previously reported, within the BPOMAS strategy, ManCo had considered to open for coverage of parents and parent in laws. This, together with other strategy initiatives that require approval by general membership will be brought forward once completed for consideration by membership, then presented to NBFIRA and cabinet accordingly. NBFIRA has approved the proposal, and we await Cabinet approval.	
7.	Update on External Audit Tender by 2017/18 financial as per Minute 11	Following issuing of a public tender for provision of audit services, PricewaterhouseCoopers (PWC) was the successful bidder and therefore awarded the tender by the Tender Committee for a term of three (3) years renewable annually based on performance of the auditor.	<b>April 2017</b>



## Chairperson's foreword

I am pleased to report that the Scheme and the Group as a whole have, for the second consecutive year performed strongly against both financial and operational targets. This is at the backdrop of the very challenging economic and business environment of the 2016/17 financial year. I therefore wish to applaud the BPOMAS Management Committee (ManCo), the Directors of BPOMAS Property Holdings (BPH), the Directors and Management of LenMed Health Bokamoso Private Hospital (LHBPH), the newly established office of the Principal Officer (PO), which was set up in February 2016, as well as the Scheme Administrators for the good performance of the Group.

The financial indicators show some level of stability across the Group. At Scheme level, the claims ratio has dropped from close to **100%** in 2014/15 to **78%** in 2016/17. The claims ratio was **81%** in the last financial year, and therefore has been within target ratio of **80%** for two (2) consecutive years. Administrative expenses also continued to remain within the target of **14%** of subscription income for the second successive year at **12.8%**. The Scheme overall solvency also grew from **41%** to **44%**.

BPH revenue also increased from **P31.1M** in prior year to **P31.8M**, while LHBPH declared a dividend of **P5.1M**, up from **P3.6M** in the last financial year.

Despite the above mentioned achievements, challenges continue to exist. At Scheme level, we operate in a generally saturated market, making it difficult to grow membership. Medical inflation, wastage, fraud and abuse also continue to escalate our cost of doing business. There is also heightened competition coming up in the hospital operations space. As such efforts of LHBPH to diversify its product offering couldn't have come at a better time. BPH revenue is also 100% dependent on the revenue of LHPBH. Therefore, any challenges facing LHBPH have a direct impact on the financial performance of BPH. I however remain confident that we have the right leadership in place across the Group, and remain optimistic that the Organisation will continue in its success.

### Setting our course

During the year, we have worked together to expand on the 2014 turnaround strategy, and developed an over-arching five (5) year Organisational strategy. Our Organisational strategy had expired in 2014, and due to the immediate need to turn the financial fortunes of the Scheme, a turnaround strategy had been developed in December 2014. There was however a continued need to also prepare the Scheme for long term sustainability, hence the priority to develop the new five (5) year strategy. The key highlights of the new strategy are discussed under the PO's report, save to mention that the strategy recognises the need, among others, to increase the Scheme's value proposition to existing members, to diversify the Scheme's sources of revenue, as well as to look for new areas of membership growth.

I am happy that the Principal Officer (PO), who has hit the ground running, was instrumental in the development of this strategy. His office will be responsible for its day to day implementation, with the support of ManCo and the Scheme Administrators.

In closing, I wish to express my sincere gratitude to ManCo, PO's office, and the BPOMAS Administrators for their high levels of commitment and dedication, and have no doubt that they will continue to demonstrate in the future.



---

Chairman

## Principal Officer's Business Update

### 1. Introduction

The financial year 2016/17 was another positive year for the Scheme. We have maintained our growth momentum in the face of a very challenging business environment. As alluded to in the Chairperson's foreword, we operate in a market with very limited opportunities for growth. I therefore find it befitting to express my sincere gratitude to the staff of BPOMAS, the BPOMAS Administrators, as well as other contracted parties for their hard work over the course of the year. I also express my gratitude to the Management Committee (ManCo) and other members of the BPOMAS sub-Committees for their leadership and guidance throughout the year.

At BPOMAS we understand that Healthcare is a primary need for our members, and yet the cost of healthcare continues to rise. As such, we seek to be an ideal healthcare partner for our members in providing solutions that do not only meet members' needs, but are also affordable.

BPOMAS is operated through a totally transparent approach that recognises every member as an important stakeholder. The Management Committee therefore oversees the Scheme with the sole objective of putting the best interests of the members first while ensuring financial stability of the Scheme.

ManCo is assisted by the BPOMAS Executive Office, whose role is to orchestrate strategy development and execution, manage day to day business activities, advise the ManCo on emerging business trends in order to facilitate alignment of the value proposition to members' current needs. The office is also responsible for ensuring compliance of the scheme to statutory requirements and adherence to best governance practise. This report gives key highlights of some notable achievements by the executive office for its first year in existence, the financial year 2016/17.

### 2. Priority areas (2016/17 financial year)

#### 2.1 Cost Containment

Cost containment was a high priority area, bearing in mind the Scheme's poor financial situation in previous years. The turnaround strategy of December 2014 was already being rolled out, with noticeable impact on the Health Care Costs (HCC) that dropped from close to 100% of Gross Contribution Income (GCI) in the 2014/15 financial year to **81%** in the 2015/16 financial year. HCC have further dropped in the 2016/17 financial year to **78%** of GCI, which validates that the cost containment measures that have been put in place thus far are bearing fruit.

During the year, we further expanded on the scope of this strategic initiative by focusing on the Scheme's Non Healthcare Costs (NHCC), in order to accelerate the realization of the envisaged benefits. This involved re-negotiation of third party contracts, which has had an immediate impact of reducing the NHCC down from around **15%** of GCI to **12.8%** in the 2016/17 financial year. This is a great achievement considering the historic performance in this area. The medium to long term plan is to keep NHCC/administrative costs at around **10%** of GCI.

## **2.2 Member Value Proposition**

Due to the historic financial constraints faced by the Scheme, as well as rising medical inflation, the Scheme had not been able to improve/increase benefits in several years. We however saw a window of opportunity to improve benefits as we were re-negotiating some of the existing contracts. We also saw opportunities to introduce optional cover for members who would be willing to pay additional premiums to purchase additional and optional cover to augment their benefits.

Rather than take a price cut as offered by the underwriters of our funeral benefit for instance, we passed this benefit on to members by increasing the level of cover in the funeral benefit. We therefore increased the funeral benefit by P2 000 for the High benefit, P2 500 for the Premium benefit, and P1 000 for the Standard benefit. Furthermore, we introduced a waiver of premium benefit, which ensures that, in the unfortunate event of a member's death, the surviving member's dependents who were covered at the time of death, will remain covered for six (6) months following the principal member's death.

Though not yet rolled out, we further developed top-up plans to ensure that members who wish to top up according to their specific needs, would be able to buy additional funeral benefit cover as well as additional waiver of premiums cover. Preparatory work took longer than anticipated, but I'm happy to report that these optional products will be rolled out during the course of the 2017/18 financial year.

More developments, including extension of cover to include parent dependents, and adult child dependents are at an advanced stage before roll out. I am happy to report that the required Rule change has since passed through NBFIRA, and is now awaiting Cabinet approval. Furthermore, we have since been granted deduction codes, a major milestone to enabling deduction of additional optional premiums and implement these benefits optimally.

I am cognizant of the fact that more still needs to be done, especially in the area of access to private hospitals and adequacy of benefits in general. My office, together with the Administrators commit to continue looking into ways of enhancing member value.

## **2.3 Organisational Strategy**

As mentioned under the Chairperson's foreword, the BPOMAS organisational strategy had expired in 2014. However, a turnaround strategy that was developed in December 2014 was rolled out, which primarily focused on cost containment. There was however, a need to develop an over-arching organizational strategy, which was successfully completed during the year. Some of the highlights of the new strategy are discussed briefly in the section below;

### **2.3.1 Revenue Diversification and Membership Growth**

Members will note that currently subscriptions income accounts for more than 95% of Group revenue. In the new strategy, while cost containment continues to be of high priority, there also is a lot of emphasis on diversifying sources of revenue in order to cushion members against large subscription increases as has been experienced in the past.

It has also been highlighted under the Chairperson's foreword that the medical aid industry in Botswana is saturated. In the new strategy however, we see pockets of potential membership retention and growth, hence some of the

changes in the Scheme Rules that are meant to create some agility such that the Scheme responds adequately to such opportunities.

Medical inflation continues to erode member benefits. While inflation (CPI) has generally been within the Central Bank's medium to long term target of 3-6%, medical inflation has generally been about 3% higher than CPI. Coupled with this is wastage, abuse and in some instances fraud. As such, cost containment remains a high priority even in the new strategy. We will therefore continue to implement other cost containment initiatives in order to maintain the achievements of the last two financial years and even improve on them, which include;

- Maintaining HCC at around **80%** of GCI
- Reducing NHCC to around **10%** of GCI in the medium to long term, down from the current target of **14%**. This will help us increase the reserve funding for the Scheme

Members will therefore see developments, mostly commencing in the 2017/18 financial year, which are aimed at containing costs.

### **2.3.2 Product Innovation**

Currently we are selling only one product to the membership, being medical aid cover. In the new strategy we will seek to enhance product innovation capability such that we are able to offer members a wider variety of products, and thereby meet members changing needs.

Major developments which include; approval of Rule change by NBFIRA, granting of deduction codes by Ministry of Finance, organisational re-structuring, etc., have taken us a big step forward and have put us in a good position to start delivering on this strategic initiative.

### **2.3.3 Internal Capacity**

BPOMAS has been operating a completely outsourced model since inception. While this operating model has many advantages, we identified that the Scheme was heavily reliant on third parties and did not have any internal capacity. For instance, members will recall that prior to February 2016, the Scheme did not even have an Executive Office to over-see the contracted third parties. The fact that the locus of control did not lie within the Scheme was identified as a big deficiency.

In the new strategy, a hybrid model has been developed. In the new model, a combination of "In-house" and "Outsourced" is adopted, taking advantage of the benefits of both. Key functions like Financial Management & Reporting, Sales, Marketing and Customer Relations Management, Legal and Corporate Secretary, Business Development and Product Development will be insourced, ensuring that the locus of control resides within the Scheme. The rest of the functions will remain outsourced, but with strengthened contract management capability.

We anticipate the new model to lead to better delivery in line with the organisation's

strategic goals.

#### **2.3.4 Governance**

Good governance is a platform on which businesses grow. The new strategy therefore seeks to strengthen the Scheme governance structures, including adoption of a governance framework, e.g. KING IV.

### **3. Looking ahead**

The new vision of the scheme as per the new strategy is “Your ideal partner in sustainable healthcare” and the mission is *“To provide access to affordable, quality, innovative and efficient healthcare solutions that meet your needs”*.

In line with the new vision and mission, we aim to make BPOMAS a medical aid of choice. This will depend on the Scheme’s value proposition based on its product offering and the cost thereof. The new strategy places us in a better position to deliver on long-term value for members and other stakeholders, especially with the envisaged introduction of Business and Product Development functions. During the new strategy period, Members can therefore expect to see a more customer-centred organisation with diverse product offer, a more-diversified business, as well as a more agile organisation when it comes to responding to market opportunities.

# REPORT TO THE MEMBERS' ANNUAL GENERAL MEETING FOR PERIOD 2016/2017

## 1. Financial Performance

Group revenue for the year was **P724.7M**, up by **13.7%** from the 2015/16 figure of **P637.2M**. Total group surplus before tax amounted to **P96.3M**, up by **67%** from surplus of **P57.6M** in prior year.

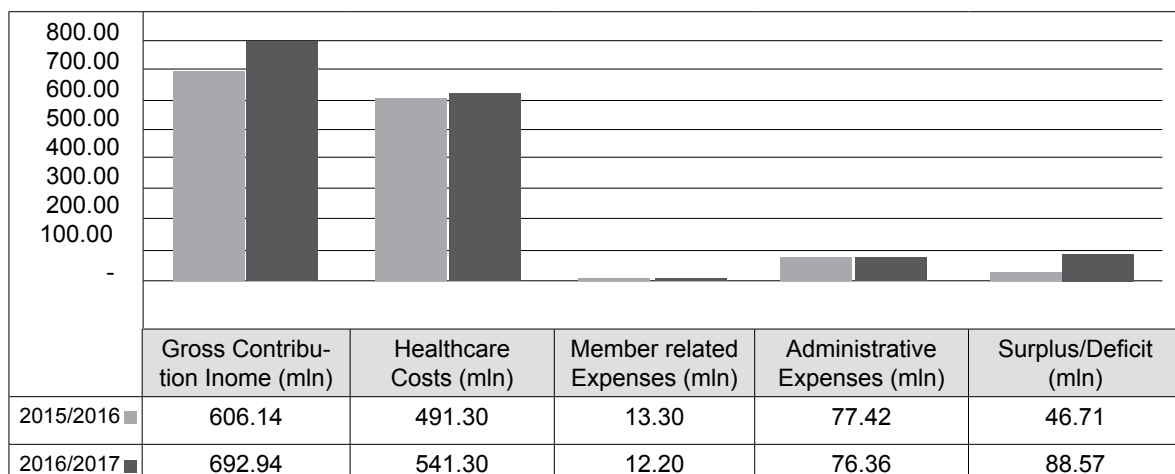
At Scheme level, Gross Contributions Income (GCI) for the year was **P693M**, up by **14%** from that of prior year. This was largely due to subscription increase that was implemented effective 1st April 2016.

Health Care Cost (HCC) closed the year at **P553.5M**, up by **10%** from prior year. This increase was largely due to increase in utilisation as well as tariff increase effective 1st April 2016. The claims ratio was however below that of prior year at **78%**, down from **81%** in the 2015/16 period, and below the target of **80%**.

The Gross Administrative Expenses (GAE) or total Non-Health Care Costs (NHCC) amounted to **P85.4M** down from **P87.6M** in the previous year. GAE as percentage of contributions income was **12.8%**, down from **15%** in prior year, and below the target of **14%**. This reflects the result of the cost containment efforts which during the year were extended to NHCC as well.

The Scheme recorded an operating surplus of **P64.3M**, up by **155%** from **P25.2M** in prior year. This result was largely due to the average rate of increase of GCI being higher than the rate of increase of HCC and NHCC for the year under review. The total surplus inclusive of debenture interest from BPOMAS Property Holdings (BPH) and share of profits from Lenmed Health Bokamoso Private Hospital (LHBPH) was **P88.6M**, against a prior year surplus of **P46.7M**, reflecting an increase of **90%** year on year. Debenture interest received from BPH was **P22.7M**, while share of profit paid by LHBPH was **P5.2M**. The solvency margin also increased from **41%** in prior year to **44%**. The Scheme financial performance is summarised in the graph below;

Figure 1: Summary of BPOMAS financial performance (BWP)



**2. Membership**

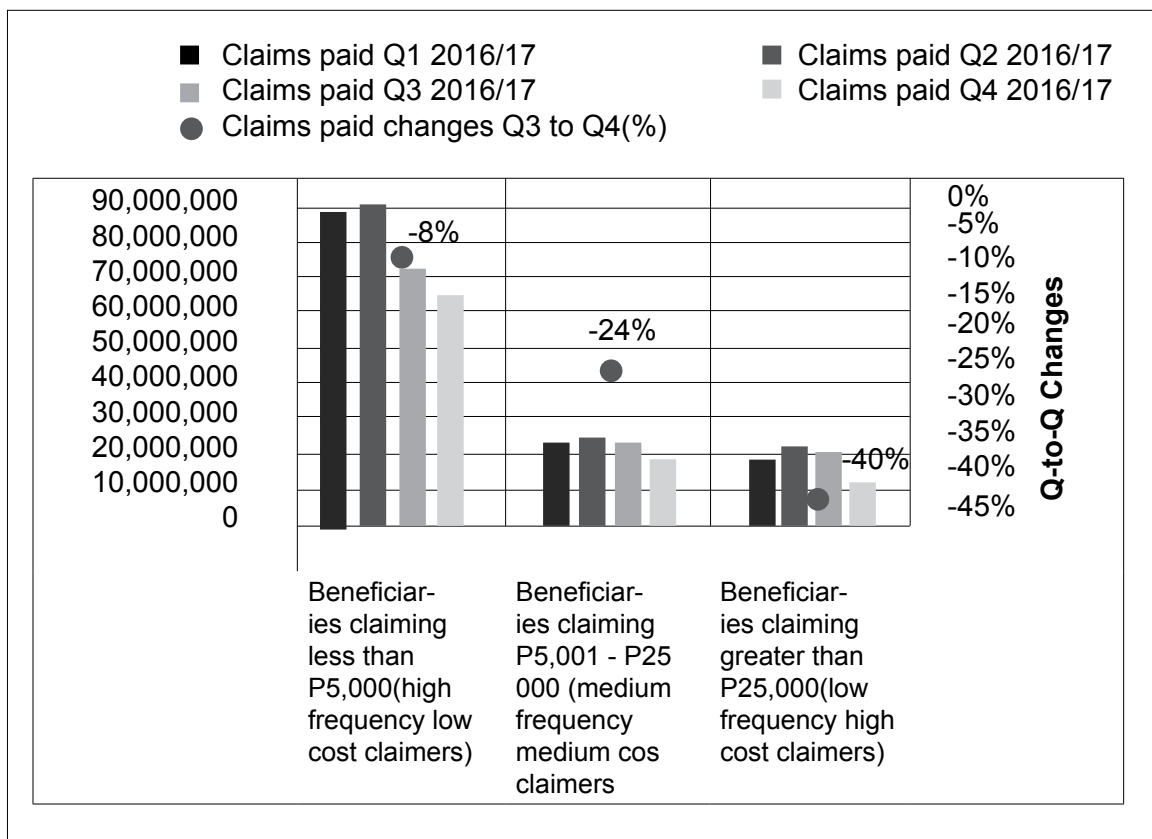
Scheme Membership closed the year at **72 678**, a drop of **0.8%** from the prior year membership of **73 273** principal lives. Total lives covered closed the year at **172 792**; representing a drop of around **0.9%** when compared to the prior year figure of **174 501** lives.

**3. Providing access to health care services**

During the year under review an average of **78 950** beneficiaries (**43%** of all beneficiaries) were facilitated access to health care services per quarter, up from an average of **73 069** per quarter in the 2015/16 financial year. This represents an increase in utilisation of about **8%** despite the drop in membership.

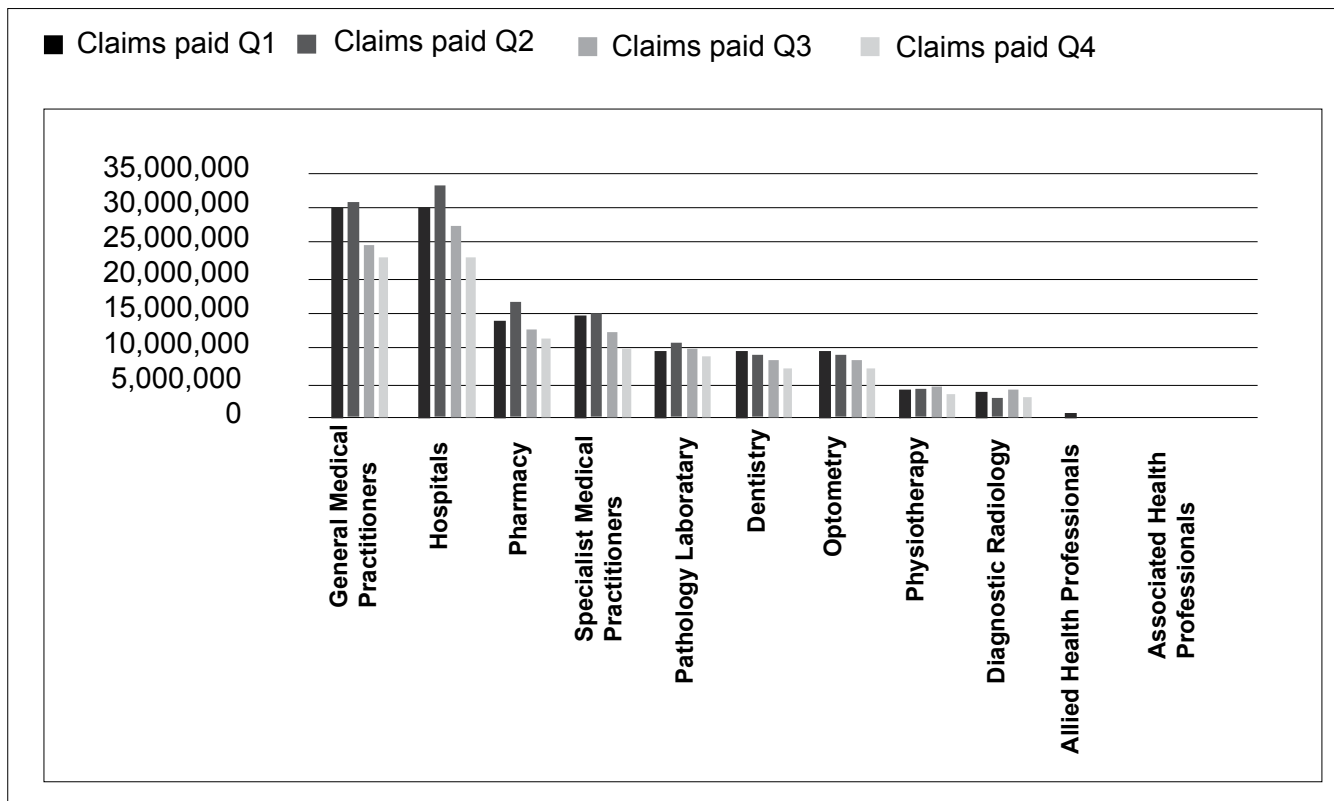
The graph below shows the distribution of average claim size for all beneficiaries who accessed healthcare. On average **96.2%** of the Scheme beneficiaries who accessed private health care claimed less than **P5 000** per quarter, **3.3%** claimed between **P5 001** and **P25 000** and **0.5%** claimed more than **P25 000** per quarter.

Figure 2: Claims severity per quarter



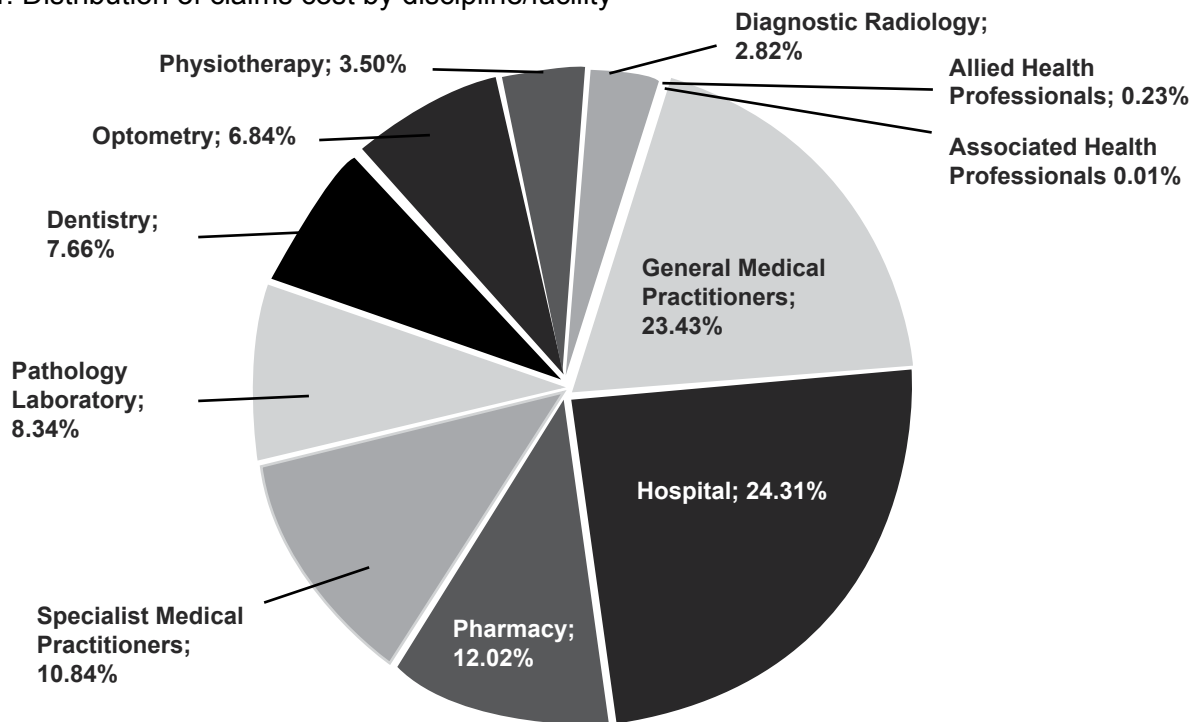
Furthermore, access by discipline as shown in figure 3 below shows that the most accessed services by cost were general medical practitioners, hospitals, pharmacy, specialist medical practitioners and other services.

Figure 3: Disciplines/Facilities Accessed



Claims cost distribution by Disciplines / Facilities for healthcare services accessed during the year

Figure 4: Distribution of claims cost by discipline/facility



The above figure shows the distribution of HCC per discipline/facility for the year under review. Hospitals, GP, Pharmacy and Specialist Medical Practitioners contributed about 71% of total Scheme's HCC.



#### 4. Health Balance Sheet

- Average Age (Principal lives) – 43
- Average Age (Total lives) – 30
- Percentage of Pensioners – 9.0%
- Members on NCD benefit –13 379
- Members on HIV/AIDS program –10 699
- Number of GP visits – 412 184
- Number of specialist visits –92 237
- Admission rate per 1000 lives – 2.7%
- Average length of stay – 2.6 days
- Number of maternity cases – 967
- C-section rate – 62%
- EMS usage(total cases)- 802
- Funeral benefit usage(amount paid ) – P338 800

#### 5. Corporate Governance

BPOMAS conducts its operations in accordance with internationally accepted principles of good governance and best practice, whilst ensuring compliance with the statutory requirements of the regulator, Non-Bank Financial Institutions Regulatory Authority(NBFIRA) and the Registrar of Societies. To ensure compliance to good governance, we continuously engage with the regulator on matters concerning good governance and relevant legislative changes. The Management Committee (ManCo) is responsible for the management of the Scheme and meets quarterly to consider and approve proposals and resolutions. To ensure that the Scheme is managed by fit and proper team, the members of the Management Committee were all successfully vetted by NBFIRA. In line with the Scheme Rules, ManCo has delegated some of its powers and duties to Sub-Committees to ensure that all aspects of the Scheme operations are properly managed. Currently the following Sub-Committees are in place;

- Finance and Audit Committee;
- Investment Sub-Committee;
- HR Ad-Hoc Committee; and
- Tender Sub-Committee.

##### 5.1 ManCo Composition and Effectiveness

ManCo is responsible for the overall management, strategic direction and long term success of the BPOMAS group. ManCo is composed of Government Officials, Trade Union representatives and Independent members. In line with the Scheme Rules, the Chairperson of ManCo is the Permanent Secretary of the Ministry of Health & Wellness. ManCo has delegated the operational running of the Group to the Executive Office, which is headed by the Principal Officer. Capital Expenditure, Contracts and approval of overall Group Strategy still remain the prerogative of the ManCo.

## 5.2 ManCo Composition

**Table 1: Composition of the Management Committee**

	<b>Member</b>	<b>Representing</b>
1.	Ms Shenaaz El-Halabi	Ministry of Health and Wellness - Chairperson
2.	Mr Matshwenyego Setshego	Botswana Land Board Local Authorities and Health Workers Union (BLLAWU) – Vice Chairperson
3.	Mr Olesitse Masimega	Ministry of Finance & Development Planning
4.	Mr Christopher Gwere	Independent member
5.	Ms Agnes Kiberu-Mosarwa	Botswana Public Employers Union(BOPEU)
6.	Ms Rose Nkolonyane	Directorate of Public Service Management (DPSM)
7.	Mr Motsekedi Motloutse	Disciplinary Forces (Botswana Police Service)
8.	Mr Sesupo Mosweu	Independent Member (retired during the year)
9.	Brigadier Kagiso Kgaswanyane (alternate to Mr Motloutse)	Disciplinary Forces (Botswana Defence Force)
10.	Mr Pambama Masame (alternate to Ms Kiberu -Mosarwa)	Botswana Public Employers Union(BOPEU)

## 5.3 ManCo Meetings

The ManCo meets on a quarterly basis in line with the Scheme Rules to consider quarterly results, and strategic issues of the Group. However the Chairperson may convene a special meeting or upon requisition by a majority of the ManCo members, should the need arise, provided the matters to be discussed are clearly stated in the request. All the meetings were held with attendance rate as shown in the table below:

**Table 2: Management Committee meetings**

<b>MEMBER</b>	<b>28 Apr 2016</b>	<b>18 Aug 2016</b>	<b>03 Nov 2016</b>	<b>03 Mar 2017</b>	<b>20 Mar 2017</b>	<b>21 Mar 2017</b>	<b>27 Mar 2017</b>
Ms Shenaaz El-Halabi	P	P	P	P	P	P	P
Mr Matshwenyego Setshego	P	P	P	P	P	P	P
Mr Olesitse Masimega	A	A	A	A	A	P	P
Mr Christopher Gwere	A	P	P	P	P	P	P
Ms Agnes Kiberu-Mosarwa	P	P	P	P	P	P	P
Mr Sesupo Mosweu	P	P	N/A	N/A	N/A	N/A	N/A
Ms Rose Nkolonyane	P	P	P	P	P	P	P
Mr Motsekedi Motloutse (alternate: Brigadier Kgaswanyane)	P	A	A	P	A	P	P

*P- Present*

*A-Absent/Apology*

*N/A-(no longer a ManCo member)*

#### 5.4 Emoluments for ManCo and Sub-Committees

ManCo members who are employees of government were not paid sitting allowances during the reporting period. Independent members were paid sitting allowance at a rate of P3, 000 (Three Thousand Pula). Emoluments shown below include sitting allowances (where applicable), travel and per diem:

**Table 3: ManCo emoluments**

Member	Remuneration as at March 2017
Ms Shenaaz El-Halabi	P2,270
Ms Agnes Kiberu-Mosarwa	P9,901
Mr Matshwenyego Setshego	P20,821
Mr Christopher Gwere	P53,000
Mr Sesupo Mosweu	P12,000
Ms Rose Nkolonyane	P 5,000
Mr Olesitse Masimega	P2,000
Mr Motsekedi Motloutse	P2,000
Brigadier Kagiso Kgaswanyane	P2,000

##### 5.4.1 Investment Sub-Committee

Investment Sub-Committee members were paid a monthly retainer in the amount of P17, 000 (Seventeen Thousand Pula) and P13, 000 (Thirteen Thousand Pula) for the Chairperson and Members respectively. Their emoluments are as shown below:

**Table 4: Investment Sub -Committee emoluments**

Member	Remuneration as at March 2017
Mr Reuben Morapedi	P206,000
Mr Bangidza Dhlwayo**	P52,000
Mr Olesitse Masimega*	N/A
Mr Matshwenyego Setshego*	N/A
Ms Grace Tabengwa	P156,000

\*Government employee representatives not entitled to remuneration

\*\*Remuneration from April 2016 to July 2016, Mr Dhlwayo unfortunately passed away during the year.

##### 5.4.2 Finance and Audit Committee

The Finance and Audit Committee members were paid a sitting allowance of P3,000 (Three Thousand Pula). The emoluments were paid as follows:

**Table 5: Finance and Audit Committee emoluments**

Member	Remuneration as at March 2017
Ms Sethunya Molosiwa	P3,000
Mr Moore Gondo*	N/A
Mr Olesitse Masimega*	N/A
Ms Agnes Motlhanka*	N/A

\*Government employee representatives not entitled to remuneration

#### 5.4.3 BPOMAS Property Holdings (BPOMAS PH)

The Directors were paid a monthly retainer of P17, 000 (Seventeen Thousand Pula) and P13, 000 (Thirteen Thousand Pula) for the Chairperson and Directors respectively as follows:

**Table 6: BPOMAS PH Board emoluments**

Director	Remuneration from April 2016 to October 2016
Mr Nelson Mokgethi	P119,000
Mr Boikhutso Dube	P91,000
Ms Agnes Kiberu-Mosarwa*	N/A
Mr Ditshego Mosienyane	P91,000
Mr Frederick Selolwane	P91,000
Mr Matshwenyego Setshego*	N/A

\*Government employee representatives not entitled to remuneration

It is worth noting that as part of the BPOMAS Turnaround Strategy, the Management Committee decided to review and restructure all BPOMAS' representation in its investments including Lenmed Health Bokamoso Private Hospital (LHBPH) and BPOMAS PH, to ensure cost containment throughout the BPOMAS Group and also leverage on its internal capacity. As a result, the Board of Directors of BPOMAS PH was restructured in October 2016 to reduce the number of Directors. The remuneration model was also revised and changed from that of monthly retainer to sitting allowance.

BPOMAS intends to continue to align with good corporate governance and maintain a governance structure that is fair and transparent in all its governance instruments.

# **ABRIDGED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

For the Financial Year Ended 31 MARCH 2017

# BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

## GENERAL INFORMATION

for the year ended 31 March 2017

## MANAGEMENT COMMITTEE

Management Committee as at 31 March 2017 are as follows:

### Main members

- S El-Halabi - Chairperson
- A Kiberu-Mosarwa
- O Masimega
- R Nkolonyane
- M Motloutse
- C Gwere
- S Mosweu
- M Setshego

### Alternate members

- Brigadier K Kgaswanyane
- P Masame

## ADMINISTRATORS

Associated Fund Administrators Botswana (Proprietary) Limited

P O Box 1212, Gaborone, Botswana

## REGISTRATION

The Scheme was registered in Botswana under the Societies Act No 18:01 of 1972

## PRINCIPAL ACTIVITY

The Scheme provides assistance to its members and their dependents in defraying expenditure incurred in relation to medical and related services.

## BUSINESS ADDRESS

P O Box 1212, Gaborone, Botswana

## REGISTERED OFFICES

AFA House, Plot 61918, Showgrounds Office Park, Gaborone

## AUDITORS

PricewaterhouseCoopers

## BANKERS

First National Bank of Botswana Limited  
Barclays Bank of Botswana Limited

## ASSET MANAGERS

African Alliance Botswana Management Company (Proprietary) Limited  
Fleming Asset Management (Proprietary) Limited

## LAWYERS

Minchin & Kelly  
Armstrongs- Attorneys, Notaries & Conveyancers

# ABRIDGED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the Financial Year Ended 31 MARCH 2017

## GLOSSARY

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# **BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME STATEMENT OF RESPONSIBILITIES BY THE MANAGEMENT COMMITTEE for the year ended 31 March 2017**

The Management Committee is responsible for the preparation of the annual consolidated financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards (IFRS).

The Management Committee acknowledges that it is ultimately responsible for the system of internal financial control established by the group and places considerable importance on maintaining a strong control environment. To enable the Management Committee to meet these responsibilities, the Committee sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees of the administrator company are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. Nothing has come to the attention of the Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Management Committee is of the opinion, based on the information and explanations given by the Administrators, which the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The auditors are responsible for giving an independent opinion on the fairness of the annual financial statements based on their audit of the affairs of the group. The going concern assumption has been applied in the preparation of the consolidated financial statements. The Management Committee has no reason to believe that the group will not be a going concern in the foreseeable future based on available cash resources.

## **MANAGEMENT COMMITTEES' APPROVAL OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

Against this background, the Management Committee accepts responsibilities for the consolidated financial statements on pages 6 to 45 which were approved and are signed on its behalf by:



.....  
**CHAIRPERSON**



.....  
**COMMITTEE MEMBER**





**BOTSWANA PUBLIC OFFICERS'  
MEDICAL AID SCHEME**

*Your health is our concern!*

## **STATEMENT BY MANAGEMENT ON THE ABRIDGED ANNUAL FINANCIAL STATEMENTS**

The consolidated financial statements are summarised from a complete set of the Group Financial Statements on which the Independent Auditors, PricewaterhouseCoopers, have expressed an unqualified audit opinion, which is available for inspection at the Scheme's registered office.

This report is extracted from audited information, but is not itself audited. The Auditor's Report does not necessarily report on all of the information contained in this report. Members are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the Auditor's Report together with the accompanying financial information from the Scheme's registered office.

The Management Committee of the Botswana Public Officers' Medical Aid Scheme take full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying Annual Financial Statements. A copy of the Annual Financial Statements that have been summarised in this report can be obtained from the Scheme's registered office.



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### **GABORONE HEAD OFFICE**

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ANNUAL GENERAL MEETING REPORT  
FOR THE FINANCIAL YEAR 2016/17

**BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 March 2017

Notes	Group		Scheme	
	2017 P	2016 P	2017 P	2016 P
<b>Revenue</b>				
Income from contributions	692,935,005	606,137,018	692,935,005	606,137,018
Rental income	31,810,366	31,125,173	-	-
	<b>724,745,371</b>	637,262,191	<b>692,935,005</b>	606,137,018
<b>Cost of services</b>				
Benefits paid	3 (553,501,805)	(504,609,824)	(553,501,805)	(504,609,824)
	<b>171,243,566</b>	132,652,367	<b>139,433,200</b>	101,527,194
Fair value gain on investment property	2,300,000	7,000,000	-	-
Other income	3,064,046	1,374,841	1,208,480	1,125,486
Administrative expenses	3 (85,441,841)	(87,557,808)	(76,357,881)	(77,418,344)
<b>Operating surplus</b>	<b>91,165,771</b>	53,469,400	<b>64,283,799</b>	25,234,336
Finance income	4 5,022,043	5,925,754	24,138,612	23,205,265
Finance cost	4 (5,032,294)	(5,375,551)	(5,032,294)	(5,375,551)
Finance income/ (cost) - net	(10,251)	550,203	19,106,318	17,829,714
Share of profit on investments accounted for using equity method	9 5,179,724	3,641,170	5,179,724	3,641,170
<b>Surplus for the year</b>	<b>96,335,244</b>	57,660,773	<b>88,569,841</b>	46,705,220
Income tax expense	5 (789,857)	(1,767,127)	-	-
<b>Total surplus for the year</b>	<b>95,545,387</b>	55,893,646	<b>88,569,841</b>	46,705,220
<b>Other comprehensive income</b>				
Changes in fair value of available-for-sale financial assets	10 (446,590)	1,533,218	(446,590)	1,533,218
<b>Total comprehensive income for the year</b>	<b>95,098,797</b>	57,426,864	<b>88,123,251</b>	48,238,438
<b>Attributable to:</b>				
Owners of the parent	95,098,797	57,426,864	-	-
Non-controlling interests	-	-	-	-
	<b>95,098,797</b>	57,426,864	-	-

**BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at 31 March 2017

	Notes	Group		Scheme	
		2017 P	2016 P	2017 P	2016 P
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	17,370,626	23,359,704	-	-
Investment property	7	272,300,000	270,000,000	-	-
Investment in subsidiary	8	-	-	1,783,000	1,783,000
Investment in associate company	9	15,348,008	10,168,284	15,348,008	10,168,284
Available-for-sale financial assets	10.1	20,592,231	21,038,821	197,109,231	197,555,821
Related party loan receivables		20,099,700	20,099,700	20,099,700	20,099,700
		<b>345,710,565</b>	<b>344,666,509</b>	<b>234,339,939</b>	<b>229,606,805</b>
<b>Current assets</b>					
Available-for-sale financial assets	10.2	148,389,763	65,206,437	148,389,763	65,206,437
Trade and other receivables	11	48,262,040	73,301,056	13,904,715	51,693,022
Cash and cash equivalents	12	61,966,635	34,156,525	55,065,167	25,119,020
		<b>258,618,438</b>	<b>172,664,018</b>	<b>217,359,645</b>	<b>142,018,479</b>
<b>Total assets</b>		<b>604,329,003</b>	<b>517,330,527</b>	<b>451,699,584</b>	<b>371,625,284</b>
<b>RESERVES AND LIABILITIES</b>					
<b>Reserves</b>					
Available-for-sale reserve		8,322,828	8,769,418	8,322,828	8,769,418
Accumulated surplus		261,982,120	210,721,653	142,104,317	97,819,396
Retirement reserve	13	183,544,493	139,259,572	183,544,493	139,259,572
		<b>453,849,440</b>	<b>358,750,643</b>	<b>333,971,637</b>	<b>245,848,386</b>
<b>Non-current liabilities</b>					
Deferred income tax liabilities	14	27,741,564	26,951,707	-	-
Borrowings	15	55,826,893	56,921,449	55,826,893	56,921,449
		<b>83,568,457</b>	<b>83,873,156</b>	<b>55,826,893</b>	<b>56,921,449</b>
<b>Current liabilities</b>					
Borrowings	15	6,037,639	9,492,915	6,037,639	9,492,915
Provision for outstanding claims	16	44,866,894	46,725,626	44,866,894	46,725,626
Trade and other payables	17	16,006,573	18,488,187	10,996,521	12,636,908
		<b>66,911,106</b>	<b>74,706,728</b>	<b>61,901,054</b>	<b>68,855,449</b>
<b>Total liabilities</b>		<b>150,479,563</b>	<b>158,579,884</b>	<b>117,727,947</b>	<b>125,776,898</b>
<b>Total reserves and liabilities</b>		<b>604,329,003</b>	<b>517,330,527</b>	<b>451,699,584</b>	<b>371,625,284</b>

**BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME**

**CONSOLIDATED STATEMENT OF CHANGES IN RESERVES**

for the year ended 31 March 2017

<b>Group</b>	<b>Notes</b>	<b>Available-for- sale reserve P</b>	<b>Accumulated surplus P</b>	<b>Retirement reserve P</b>	<b>Total P</b>
<b>For the year ended 31 March 2016</b>					
Balance as at 1 April 2015		<b>7,236,200</b>	178,180,617	<b>115,906,962</b>	<b>301,323,779</b>
<b>Comprehensive income</b>					
Surplus for the year		-	55,893,646	-	<b>55,893,646</b>
Transfer to retirement reserve	<b>13</b>	-	(23,352,610)	<b>23,352,610</b>	-
<b>Other comprehensive income</b>					
Changes in fair value of available-for-sale financial assets	<b>10</b>	<b>1,533,218</b>	-	-	<b>1,533,218</b>
<b>Balance as at 31 March 2016</b>		<b>8,769,418</b>	<b>210,721,653</b>	<b>139,259,572</b>	<b>358,750,643</b>
<b>For the year ended 31 March 2017</b>					
Balance as at 1 April 2016		<b>8,769,418</b>	210,721,653	<b>139,259,572</b>	<b>358,750,643</b>
<b>Comprehensive income</b>					
Surplus for the year			95,545,387	-	<b>95,545,387</b>
Transfer to retirement reserve	<b>13</b>		(44,284,921)	<b>44,284,921</b>	-
<b>Other comprehensive income</b>					
Changes in fair value of available-for-sale financial assets	<b>10</b>	<b>(446,590)</b>	-	-	<b>(446,590)</b>
<b>Balance as at 31 March 2017</b>		<b>8,322,828</b>	<b>261,982,120</b>	<b>183,544,493</b>	<b>453,849,440</b>

**BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME**

**STATEMENT OF CHANGES IN RESERVES**

for the year ended 31 March 2017

<b>Scheme</b>	<b>Notes</b>	<b>Available-for- sale reserve P</b>	<b>Accumulated surplus P</b>	<b>Retirement reserve P</b>	<b>Total P</b>
<b>For the year ended 31 March 2016</b>					
Balance as at 1 April 2015		<b>7,236,200</b>	74,466,786	<b>115,906,962</b>	<b>197,609,948</b>
<b>Comprehensive income</b>					
Surplus for the year		-	46,705,220	-	<b>46,705,220</b>
Transfer to retirement reserves	<b>13</b>	-	(23,352,610)	<b>23,352,610</b>	-
<b>Other comprehensive income</b>					
Changes in fair value of available-for-sale financial assets	<b>10</b>	<b>1,533,218</b>	-	-	<b>1,533,218</b>
<b>Balance as at 31 March 2016</b>		<b>8,769,418</b>	<b>97,819,396</b>	<b>139,259,572</b>	<b>245,848,386</b>
<b>For the year ended 31 March 2017</b>					
Balance as at 1 April 2016		<b>8,769,418</b>	97,819,396	<b>139,259,572</b>	<b>245,848,386</b>
<b>Comprehensive income</b>					
Surplus for the year		-	88,569,841	-	<b>88,569,841</b>
Transfer to retirement reserves	<b>13</b>	-	(44,284,921)	<b>44,284,921</b>	-
<b>Other comprehensive income</b>					
Changes in fair value of available-for-sale financial assets	<b>10</b>	<b>(446,590)</b>	-	-	<b>(446,590)</b>
<b>Balance as at 31 March 2017</b>		<b>8,322,828</b>	<b>142,104,317</b>	<b>183,544,493</b>	<b>333,971,637</b>

**BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

for the year ended 31 March 2017

	Notes	Group		Scheme	
		2017 P	2016 P	2017 P	2016 P
<b>Cash flows from operating activities</b>					
Cash receipts from members	18.1	733,427,649	560,341,643	733,427,649	560,341,643
Cash receipts from customers	18.2	18,963,876	35,361,753	-	-
Cash paid for claims and other benefits	18.3	(553,450,542)	(512,911,187)	(553,450,542)	(512,911,187)
Cash paid in respect of administrative expenses	18.4	(83,387,463)	(70,180,319)	(81,404,119)	(53,093,707)
<b>Cash generated from/(used in) operations</b>		<b>115,553,520</b>	<b>12,611,890</b>	<b>98,572,988</b>	<b>(5,663,251)</b>
Interest paid		(5,032,294)	(5,375,551)	(5,032,294)	(5,375,551)
<b>Net cash generated from/(used in) operations</b>		<b>110,521,226</b>	<b>7,236,339</b>	<b>93,540,694</b>	<b>(11,038,802)</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	6	-	(510,692)	-	-
Interest received on short-term deposits	4	811,025	826,438	537,796	127,684
Interest received on inter-company loans	4	1,459,812	1,862,778	1,459,812	1,862,778
Interest received on debenture investment	4	-	-	19,389,798	17,978,265
Withdrawal of investments	10.2	(80,432,120)	-	(80,432,120)	-
Loan repayments received		-	3,000,000	-	3,000,000
<b>Net cash generated from investing activities</b>		<b>(78,161,283)</b>	<b>5,178,524</b>	<b>(59,044,714)</b>	<b>22,968,727</b>
<b>Cash flows from financing activities</b>					
Net movement of interest bearing borrowing		(4,549,833)	(4,206,576)	(4,549,833)	(4,206,576)
<b>Net cash used in financing activities</b>		<b>(4,549,833)</b>	<b>(4,206,576)</b>	<b>(4,549,833)</b>	<b>(4,206,576)</b>
<b>Net change in cash and cash equivalents</b>		<b>27,810,110</b>	<b>8,208,287</b>	<b>29,946,147</b>	<b>7,723,349</b>
Cash and cash equivalents at beginning of the year		34,156,525	25,948,238	25,119,020	17,395,671
Cash and cash equivalents at end of the year	12	61,966,635	34,156,525	55,065,167	25,119,020

# SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2017

## 1. General information

For the comprehensive notes to the financial statements as well as the accounting policies, please refer to [www.bpomas.co.bw](http://www.bpomas.co.bw).

## 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements, which have been applied on a consistent basis with those of the previous year, are set out below.

### 2.1 Basis of preparation

The abridged annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held at fair values through profit or loss and property, plant and equipment measured at fair value.

The preparation of annual consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

### 2.2 Consolidation

#### a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally indicated by a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Any excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

#### **b) Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in changes in reserves. Gains or losses on disposals to non-controlling interests are also recorded in changes in reserves.

#### **c) Disposal of subsidiaries**

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### **d) Associates**

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount



of the associate and its carrying value and recognises the amount adjacent to 'share of profit / (loss) of an associate' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group. Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

### **2.3 Investment property**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group, is classified as investment property.

#### **Investment property comprises leasehold land and buildings.**

Investment property is measured initially at its cost, including related transaction costs. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the statement of comprehensive income in the year in which they arise.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of property, plant and equipment under IAS 16.

### **2.4 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

#### **Hospital assets**

Plant and machinery	11-16 years
Furniture and fixtures	6-11 years
Medical and laundry equipment	6-16 years
Electrical equipment	6-11 years

#### **Residential assets**

Furniture and fixtures	1-2 years
Catering and laundry equipment	1-2 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other gains/ (losses) – net' in the statement of comprehensive income

### **2.5 Impairment of non-financial assets**

The group evaluates the carrying value of assets with finite useful lives annually and whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. Indicators of possible impairment include, but are not limited to: significant under-performance relative to expectations based on historical or projected future operating results; significant changes in the manner of use of the assets or the strategy for the group's overall business; significant negative industry or economic trends.

An impairment loss is recognised in the statement of comprehensive income when the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties, or its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

For the purposes of assessing impairment, assets are grouped at the levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### **2.6 Financial assets**

### 2.6.1 Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The group's loans and receivables comprise 'loans and advances', 'trade receivables', 'other receivables' and cash at bank and cash equivalents in the statement of financial position.

#### c. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

### 2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'investment income' in the period in which they arise. Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in statement of changes in reserves.

### 2.6.3 Off-setting financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## 2.7 Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. The impairments of financial assets are done in accordance with financial asset recognition and measurement criteria.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

## 2.8 Investments

The group classified its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements short term is defined as 3 months. Investments with a fixed maturity date that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the reporting date which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The group currently invests in available-for-sale investments as disclosed under note 10.

Purchase and sales of investments are recognised on the trade date, which is the date that the group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the statement of comprehensive

income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in reserves. The fair value of investments is based on quoted bid prices or amounts derived from cash flow models.

Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer.

Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses from investment securities.

## **2.9 Trade receivables**

Trade receivables are amounts due from customers for insurance cover provided in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount. Bad debts are written-off to the statement of comprehensive income during the year in which they are identified.

## **2.10 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank net of bank overdrafts and deposits held at call with banks. Bank overdrafts are given under short term borrowings in the statement of financial position.

## **2.11 Revenue recognition**

### **2.11.1 Income from contributions**

The group obtains monthly contributions from its members. These contributions are recognised in the statement of comprehensive income on an accrual basis. The premiums include adjustments to premiums from backdated termination and registrations.

### **2.11.2 Rental income**

Rental income from operating leases is recognised in income on a straight-line basis over the lease term.

### **2.11.3 Investment income**

Investment income comprises interest receivable on funds invested, realised investment value and dividend income from investments. Interest income is recognised in the statement of comprehensive income, using the effective interest rate method, and taking into account the expected timing and amount of cash flows. Interest income includes the amortisation of any discounts or premiums or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on an effective interest rate method. Dividend income is recognised in the statement of comprehensive income when the right to receive payment is established.

The accumulated fair value adjustments of available-for-sale investments are included in the statement of comprehensive income as gains and losses from investment securities, at the time of disposal.

### **2.12 Claims incurred**

Claims incurred consist of claims paid during the financial year together with the movement in the provision for outstanding claims.

The provision for outstanding claims comprises the group's estimate of the cost of settling all claims incurred but unpaid at the reporting date.

Whilst the trustees consider that gross provisions for claims are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used to value these provisions, and the estimates made, are reviewed regularly.

### **2.13 Administration fees**

Administration fees relate to amounts paid to the group's administrators. The fees are charged to the statement of comprehensive income as the services are provided.

### **2.14 Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted in Botswana at the reporting date, where the group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted

for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The normal Botswana tax has not been made as the Scheme is registered under a Societies Act No 18:01 of 1972 and according to part 1, paragraph (v) of the second schedule of the Income Tax Act, 1995, the Scheme is exempt from income tax.

## **2.15 Borrowings**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

## **2.16 Provisions**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provision is made for estimated outstanding claims incurred during the financial year, which are payable in the succeeding financial year.

### **Provision for outstanding claims (IBNR)**

The IBNR provision is calculated using run-off techniques or as a multiple, based on average historical reporting delay of the claims reported in the month following the valuation date where the claims event occurred prior to the valuation date. These claims are not discounted due to the short-term nature of outstanding claims.

### **2.17 Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **2.18 Leases**

Leases of assets under which a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease unless another systematic basis is more representative of the time pattern of the user's benefit.

Properties leased out under operating leases are included under investment properties. See note 2.3 for the accounting policy relating to property held.



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3. Analysis of expenses by nature	Group		Scheme	
	2017	2016	2017	2016
	P	P	P	P
Claims and other member benefits paid	<b>(553,501,805)</b>	(504,609,824)	<b>(553,501,805)</b>	(504,609,824)
Actuarial consultancy fee	<b>(927,089)</b>	(2,588,674)	<b>(927,089)</b>	(2,588,674)
Administration fees	<b>(63,416,850)</b>	(58,950,488)	<b>(62,664,632)</b>	(58,207,768)
AGM expenses	<b>(1,524,659)</b>	(453,477)	<b>(1,524,659)</b>	(453,477)
Aid for AIDS consultancy	<b>(1,202,790)</b>	(1,214,737)	<b>(1,202,790)</b>	(1,214,737)
Audit fees	<b>(286,515)</b>	(639,441)	<b>(196,447)</b>	(556,941)
Bank charges	<b>(335,957)</b>	(282,144)	<b>(335,120)</b>	(282,144)
Consultancy fees	<b>(978,670)</b>	(199,376)	<b>(727,116)</b>	(199,376)
Depreciation on property, plant and equipment	<b>(3,010,843)</b>	(4,691,022)	-	-
Directors sitting allowances and other costs	<b>(1,598,455)</b>	(1,816,377)	<b>(1,106,455)</b>	(832,377)
Fidelity insurance	<b>(262,344)</b>	(318,218)	<b>(262,344)</b>	(318,218)
Insurance cost	<b>(282,663)</b>	(311,413)	-	-
Impairment of property, plant and equipment	<b>(2,978,235)</b>	-	-	-
Legal fees	<b>(535,892)</b>	(188,202)	<b>(12,846)</b>	(188,202)
Managed care fees to Administrator	<b>(5,112,604)</b>	(5,091,930)	<b>(5,112,604)</b>	(5,091,930)
Promotions and advertising	<b>(1,029,195)</b>	(1,514,061)	<b>(1,029,195)</b>	(1,514,061)
Reversal (provision) of impairment of trade receivables	<b>3,062,530</b>	(3,898,801)	<b>3,062,530</b>	(3,898,801)
Repairs and maintenance	<b>(607,957)</b>	(3,193,884)	-	-
Valuation fees	<b>(36,400)</b>	(36,400)	-	-
Other administrative expenses	<b>(4,377,253)</b>	(2,169,163)	<b>(4,319,114)</b>	(2,071,638)
<b>Total administrative expenses</b>	<b>(85,441,841)</b>	(87,557,808)	<b>(76,357,881)</b>	(77,418,344)

4 Finance income and costs	Group		Scheme	
	2017	2016	2017	2016
	P	P	P	P
<b>Finance income</b>				
Interest income on available-for-sale financial assets	<b>2,751,206</b>	<b>3,236,538</b>	<b>2,751,206</b>	3,236,538
Interest income on loan to BPOMAS Property Holdings (Proprietary) Limited	-	-	-	-
Interest income on loan to Lenmed Health Bokamoso Private Hospital (Proprietary) Limited	<b>1,459,812</b>	1,862,778	<b>1,459,812</b>	1,862,778
Interest income on short-term bank deposits	<b>811,025</b>	826,438	<b>537,796</b>	127,684
Interest income on debenture investment	-	-	<b>19,389,798</b>	17,978,265
	<b>5,022,043</b>	5,925,754	<b>24,138,612</b>	23,205,265
<b>Finance cost</b>				
Interest expense on government loan	<b>(5,032,294)</b>	(5,375,551)	<b>(5,032,294)</b>	(5,375,551)
	<b>(5,032,294)</b>	(5,375,551)	<b>(5,032,294)</b>	(5,375,551)
Finance income - net	<b>(10,251)</b>	550,203	<b>19,106,318</b>	17,829,714

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<b>5 Income tax expense</b>	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>P</b>	<b>P</b>
Deferred income tax charge (Note 14)	<b>789,857</b>	1,767,127
<b>Income tax expense</b>	<b>789,857</b>	1,767,127

The tax on the group's surplus before taxation differs from the theoretical amount using the basic tax rates as follows:

Surplus/(deficit) before income tax	<b>96,335,244</b>	57,660,773
Tax calculated at a tax rate of 22% (2016: 22%)	<b>21,193,754</b>	12,685,370
Expenses not deductible for tax purposes	<b>1,960,024</b>	1,601,221
(Surplus) /deficit not subject to tax	<b>(16,452,576)</b>	(9,474,091)
Effect due to elimination of inter-company transaction	<b>(4,265,806)</b>	(1,197,213)
Income not subject to tax	<b>(506,000)</b>	(1,047,103)
Associate results reported net of tax	<b>(1,139,539)</b>	(801,057)
<b>Income tax expense</b>	<b>789,857</b>	1,767,127

No current income tax provision has been provided for the year 2017 as the group had tax losses arising from prior years. The estimated tax losses available for set-off against future taxable income is P 102,654 (2016: P 5,976,555) which expires in 2019.

In terms of part 1, paragraph (v) of the second schedule of the Income Tax Act, the Scheme qualifies as an approved benefit scheme and consequently is exempt from income tax.

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<b>6. Property, plant and equipment</b>					
<b>Group</b>	<b>Plant and machinery</b>	<b>Furniture and fittings</b>	<b>Other equipment</b>	<b>Electrical equipment</b>	<b>Total</b>
	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>
<b>Year ended 31 March 2017</b>					
Net book amount at beginning of the year	12,970,142	3,615,764	2,749,808	4,023,990	<b>23,359,704</b>
Additions	-	-	-	-	-
Impairment	(2,064,737)	(241,236)	(362,166)	(310,096)	<b>(2,978,235)</b>
Depreciation	(1,049,460)	(664,518)	(259,746)	(1,037,119)	<b>(3,010,843)</b>
<b>Net book amount at end of year</b>	<b>9,855,945</b>	<b>2,710,010</b>	<b>2,127,896</b>	<b>2,676,775</b>	<b>17,370,626</b>
<b>As at 31 March 2017</b>					
Cost	15,700,473	10,140,520	3,803,927	6,986,949	<b>36,631,869</b>
Impairment	(2,064,737)	(241,236)	(362,166)	(310,096)	<b>(2,978,235)</b>
Accumulated depreciation	(3,779,791)	(7,189,274)	(1,313,865)	(4,000,078)	<b>(16,283,008)</b>
<b>Net book amount</b>	<b>9,855,945</b>	<b>2,710,010</b>	<b>2,127,896</b>	<b>2,676,775</b>	<b>17,370,626</b>
<b>Year ended 31 March 2016</b>					
Net book amount at beginning of the year	13,513,786	5,880,529	3,104,592	5,041,127	<b>27,540,034</b>
Additions	510,692	-	-	-	<b>510,692</b>
Depreciation	(1,054,336)	(2,264,765)	(354,784)	(1,017,137)	<b>(4,691,022)</b>
<b>Net book amount at end of year</b>	<b>12,970,142</b>	<b>3,615,764</b>	<b>2,749,808</b>	<b>4,023,990</b>	<b>23,359,704</b>
<b>As at 31 March 2016</b>					
Cost / valuation	15,700,473	10,140,520	3,803,927	6,986,949	<b>36,631,869</b>
Accumulated depreciation	(2,730,331)	(6,524,756)	(1,054,119)	(2,962,959)	<b>(13,272,165)</b>
<b>Net book amount</b>	<b>12,970,142</b>	<b>3,615,764</b>	<b>2,749,808</b>	<b>4,023,990</b>	<b>23,359,704</b>

<b>7. Investment property</b>	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>P</b>	<b>P</b>
Balance at beginning of the year	<b>270,000,000</b>	263,000,000
Gain from fair value adjustments on investment property	<b>2,300,000</b>	7,000,000
<b>At end of the year</b>	<b>272,300,000</b>	270,000,000

Direct operating expenses arising from investment property that generated rental income during the year are as follows:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>P</b>	<b>P</b>
Insurance cost	<b>282,663</b>	311,413
Repairs and maintenance	<b>607,957</b>	3,193,884
Valuation fees	<b>36,400</b>	36,400
	<b>927,020</b>	3,541,697

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8. Investment in subsidiary	Group		Scheme	
	2017 P	2016 P	2017 P	2016 P
At beginning of the year	-	-	1,783,000	1,783,000
Additions	-	-	-	-
<b>At end of the year</b>	<b>-</b>	<b>-</b>	<b>1,783,000</b>	<b>1,783,000</b>

The investments represent 100% holdings in BPOMAS Property Holdings (Proprietary) Limited, a company incorporated in Botswana which is in the business of letting out of properties.

9. Investment in associate company	Group		Scheme	
	2017 P	2016 P	2017 P	2016 P
At beginning of the year	10,168,284	6,527,114	10,168,284	6,527,114
Share of profit	5,179,724	3,641,170	5,179,724	3,641,170
<b>At end of the year</b>	<b>15,348,008</b>	<b>10,168,284</b>	<b>15,348,008</b>	<b>10,168,284</b>

The investments represent 30% of ordinary share capital of Lenmed Health Bokamoso Private Hospital (Proprietary) Limited, a company incorporated in Botswana which is in the business of providing private healthcare services.

10. Available-for-sale financial assets	Group		Scheme	
	2017 P	2016 P	2017 P	2016 P
<b>10.1 Available-for-sale financial assets: Non-current</b>				
Balance at beginning of the year	21,038,821	19,505,603	197,555,821	196,022,603
Additions	-	-	-	-
Increase in fair value - Fleming Asset Management balanced portfolio	(446,590)	1,533,218	(446,590)	1,533,218
<b>Balance at end of the year</b>	<b>20,592,231</b>	<b>21,038,821</b>	<b>197,109,231</b>	<b>197,555,821</b>
<b>The investments are made up as follows:</b>				
Debentures - BPOMAS Property Holdings (Pty) Limited	-	-	176,517,000	176,517,000
Fleming Asset Management balanced portfolio	20,592,231	21,038,821	20,592,231	21,038,821
	<b>20,592,231</b>	<b>21,038,821</b>	<b>197,109,231</b>	<b>197,555,821</b>

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10. Available-for-sale financial assets (continued) 10.2. Available-for-sale financial assets: Current	Group		Scheme	
	2017 P	2016 P	2017 P	2016 P
Balance at beginning of the year	65,206,437	61,969,899	65,206,437	61,969,899
Investments made during the year	80,432,120	-	80,432,120	-
Interests reinvested	2,751,206	3,236,538	2,751,206	3,236,538
<b>Balance at end of the year</b>	<b>148,389,763</b>	<b>65,206,437</b>	<b>148,389,763</b>	<b>65,206,437</b>
<b>The investments are made up as follows:</b>				
African Alliance Liquidity Fund	148,389,763	65,206,437	148,389,763	65,206,437

The investments in African Alliance Liquidity Fund which represent investment in money market funds earn market related interest. The carrying value of the available-for-sale investments at the reporting date represents their fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of the investment.

None of these financial assets are either past due or impaired.

	Group		Scheme	
	2017 P	2016 P	2017 P	2016 P
Changes in fair value of available-for-sale financial assets	(446,590)	1,533,218	(446,590)	1,533,218

11. Trade and other receivables	Group		Scheme	
	2017 P	2016 P	2017 P	2016 P
Contributions outstanding	16,633,141	57,125,785	16,633,141	57,125,785
Less: Provision for impairment	(3,477,285)	(8,487,709)	(3,477,285)	(8,487,709)
	<b>13,155,856</b>	<b>48,638,076</b>	<b>13,155,856</b>	<b>48,638,076</b>
Receivables from related parties	34,459,543	22,030,906	215,792	633,645
Prepayments	122,225	76,201	122,176	76,201
Other receivables	524,416	2,555,873	410,891	2,345,100
	<b>48,262,040</b>	<b>73,301,056</b>	<b>13,904,715</b>	<b>51,693,022</b>

Contribution debtors are stated at amortised cost less provision for impairment. The impairment loss represents the Management Committee's best estimate of the contributions raised and not likely to be recovered.

Movement of the provision for impairment of trade receivables is as follows:

	Group		Scheme	
	2017 P	2016 P	2017 P	2016 P
Balance at beginning of the year	8,487,709	4,588,909	8,487,709	4,588,909
Provision for impairment	(3,062,530)	3,898,800	(3,062,530)	3,898,800
Provision for impairment written-off	(1,947,894)	-	(1,947,894)	-
<b>Balance at end of the year</b>	<b>3,477,285</b>	<b>8,487,709</b>	<b>3,477,285</b>	<b>8,487,709</b>

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The ageing of the impaired receivables is as follows:

61-90 days	<b>386,709</b>	1,862,244	<b>386,709</b>	1,862,244
More than 90 days	<b>3,090,576</b>	6,625,465	<b>3,090,576</b>	6,625,465
	<b>3,477,285</b>	8,487,709	<b>3,477,285</b>	8,487,709

The other classes within trade and other receivables do not contain impaired assets.

	Group		Scheme	
	2017 P	2016 P	2017 P	2016 P
The fair value of trade and other receivables are as follows:				
Trade receivables	<b>13,155,856</b>	48,638,076	<b>13,155,856</b>	48,638,076
Other receivables	<b>35,106,184</b>	24,662,980	<b>748,859</b>	3,054,946
	<b>48,262,040</b>	73,301,056	<b>13,904,715</b>	51,693,022

**12. Cash and cash equivalents**

	Group		Scheme	
	2017 P	2016 P	2017 P	2016 P
Cash at bank	<b>61,966,635</b>	34,156,525	<b>55,065,167</b>	25,119,020

Surplus funds are retained in both the current account and the call accounts. The call account bears interest at current commercial bank rates. As there is a right of set-off, the settlement accounts are included in cash at bank and cash equivalents.

For the purpose of statement of cash flows, cash and cash equivalents comprise the following:

	Group		Scheme	
	2017 P	2016 P	2017 P	2016 P
Cash at bank	<b>61,966,635</b>	34,156,525	<b>55,065,167</b>	25,119,020

**13. Retirement reserve**

	Group		Scheme	
	2017 P	2016 P	2017 P	2016 P
Balance at beginning of the year	<b>139,259,572</b>	115,906,962	<b>139,259,572</b>	115,906,962
Transfer from accumulated surplus	<b>44,284,921</b>	23,352,610	<b>44,284,921</b>	23,352,610
<b>Balance at end of the year</b>	<b>183,544,493</b>	139,259,572	<b>183,544,493</b>	139,259,572

In a meeting of the Scheme's Management Committee on 20 March 1998, it was resolved that 50% of the net surplus for each year, should be set aside for future retirement benefits of members. The reserve is, however, available for any other purpose as may be determined by the Management Committee and the members.

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14. Deferred income tax	Group	
	2017	2016
	P	P
Deferred income tax assets	22,584	1,314,842
Deferred income tax liabilities	(27,764,148)	(28,266,549)
<b>Deferred income tax liabilities - net</b>	<b>(27,741,564)</b>	<b>(26,951,707)</b>

The gross movement on the deferred income tax account is as follows:

At beginning of the year	(26,951,707)	(25,184,580)
Charged to income statement	(789,857)	(1,767,127)
<b>At end of the year</b>	<b>(27,741,564)</b>	<b>(26,951,707)</b>

The movement in deferred income tax assets and liabilities during the year without taking into consideration the off-setting of balances within the same tax jurisdiction is as follows:

Deferred income tax liabilities	Group	
	2017	2016
	P	P
Balance at beginning of year	(28,266,549)	(26,846,501)
Movement for the year	502,401	(1,420,048)
<b>Balance at end of year</b>	<b>(27,764,148)</b>	<b>(28,266,549)</b>

**Deferred income tax liabilities are analysed as follows:**

Accelerated tax depreciation	(3,783,997)	(4,814,982)
Increases in fair value of investment property	(23,957,567)	(23,451,567)
	<b>(27,741,564)</b>	<b>(28,266,549)</b>

**Deferred income tax assets**

Balance at beginning of the year	1,314,842	1,661,921
Movement for the year	(1,292,258)	(347,079)
<b>Balance at end of the year</b>	<b>22,584</b>	<b>1,314,842</b>

**Deferred income tax assets are analysed as follows:**

Tax credits available in respect of tax losses	22,584	1,314,842
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15. Borrowings	Group		Scheme	
	2017	2016	2017	2016
	P	P	P	P
Balance at beginning of the year	66,414,364	70,620,940	66,414,364	70,620,940
Interest accrued - Government loan	5,032,294	5,375,551	5,032,294	5,375,551
Loan settlement during the year	(9,582,127)	(9,582,127)	(9,582,127)	(9,582,127)
<b>Balance at end of the year</b>	<b>61,864,531</b>	<b>66,414,364</b>	<b>61,864,531</b>	<b>66,414,364</b>

**The loan balance comprises the following:**

Botswana Government loan	60,651,501	65,112,122	60,651,501	65,112,122
Interest accrued - Government loan	1,213,030	1,302,242	1,213,030	1,302,242
<b>Total outstanding loans</b>	<b>61,864,531</b>	<b>66,414,364</b>	<b>61,864,531</b>	<b>66,414,364</b>
Total long-term loans	61,864,532	66,414,364	61,864,532	66,414,364
Borrowings falling due after 1 year	(55,826,893)	(56,921,449)	(55,826,893)	(56,921,449)
<b>Borrowings falling due within 1 year</b>	<b>6,037,639</b>	<b>9,492,915</b>	<b>6,037,639</b>	<b>9,492,915</b>

The Government loan is unsecured and is repayable in 26 semi-annual instalments commencing June 2013, after a three year grace period. The Government loan bears a fixed interest rate of 8% per annum (Year 2016: 8%).

The carrying amount of borrowings represent their fair value as they are obtained at market related rates.

16. Provision for outstanding claims	Group		Scheme	
	2017	2016	2017	2016
	P	P	P	P
Balance at beginning of the year	46,725,626	47,974,422	46,725,626	47,974,422
(Decrease)/increase in claims provision	(1,858,732)	(1,248,796)	(1,858,732)	(1,248,796)
<b>Balance at end of the year</b>	<b>44,866,894</b>	<b>46,725,626</b>	<b>44,866,894</b>	<b>46,725,626</b>

The provision for outstanding claims represents the Committee's best estimate of claims, with the assistance of actuaries, that have been incurred during the current financial year but which have not been reported prior to reporting date and therefore are payable after the year-end.

17. Trade and other payables	Group		Scheme	
	2017	2016	2017	2016
	P	P	P	P
Creditor for claims	2,603,668	693,674	2,603,668	693,674
Administration fees payable	4,886,502	7,781,029	4,886,502	7,781,029
Payables to related parties	3,838,221	4,652,055	-	-
Sundry creditors	4,678,182	5,361,429	3,506,351	4,162,205
	<b>16,006,573</b>	<b>18,488,187</b>	<b>10,996,521</b>	<b>12,636,908</b>

Creditor for claims represents claims that have been processed and approved for payment but have not yet been paid at the reporting date.

The fair values of accounts payable balances approximate their carrying amounts due to their short-term nature.



**BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME**

**NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 March 2017

18. Notes to the statement of cash flows		Group		Scheme	
		2017	2016	2017	2016
		P	P	P	P
<b>18.1 Cash receipts from members</b>					
Opening contribution receivables	(note 11)	57,125,785	11,330,410	57,125,785	11,330,410
Contributions for the year		692,935,005	606,137,018	692,935,005	606,137,018
Closing contribution receivables	(note 11)	(16,633,141)	(57,125,785)	(16,633,141)	(57,125,785)
		<b>733,427,649</b>	<b>560,341,643</b>	<b>733,427,649</b>	<b>560,341,643</b>
<b>18.2. Cash receipts from customers</b>					
Opening trade receivables		21,397,261	25,633,841	-	-
		31,810,366	31,125,173	-	-
Closing trade receivables		(34,243,751)	(21,397,261)	-	-
		<b>18,963,876</b>	<b>35,361,753</b>	<b>-</b>	<b>-</b>
<b>18.3. Cash paid for claims and other benefits</b>					
Opening creditor for claims	(note 17)	(693,674)	(7,746,241)	(693,674)	(7,746,241)
Claims expenses		(543,121,963)	(492,542,583)	(543,121,963)	(492,542,583)
Other member benefits		(12,238,573)	(13,316,037)	(12,238,573)	(13,316,037)
Closing creditor for claims	(note 17)	2,603,668	693,674	2,603,668	693,674
		<b>(553,450,542)</b>	<b>(512,911,187)</b>	<b>(553,450,542)</b>	<b>(512,911,187)</b>
<b>18.4 Cash paid in respect of administrative expenses</b>					
Opening other payables		(17,794,513)	(13,474,675)	(11,943,234)	(8,939,912)
Opening other receivable		3,265,719	6,358,707	3,054,946	19,351,975
Administrative expenses	(note 3)	(85,441,841)	(87,557,808)	(76,357,881)	(77,418,344)
Depreciation		3,010,843	4,691,022	-	-
Impaired property, plant and equipment		2,978,235	-	-	-
Other operating income		3,064,046	1,374,841	1,208,480	1,125,486
Closing other receivables		(862,433)	(3,265,719)	(748,859)	(3,054,946)
Closing other payables		13,402,905	17,794,513	8,392,853	11,943,234
Movement in provision for doubtful debts		(5,010,424)	3,898,800	(5,010,424)	3,898,800
		<b>(83,387,463)</b>	<b>(70,180,319)</b>	<b>(81,404,119)</b>	<b>(53,093,707)</b>







**BOTSWANA PUBLIC OFFICERS'  
MEDICAL AID SCHEME**

*Your health is our concern!*



Botswana Public Officers Medical Aid Scheme



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