



**BOTSWANA PUBLIC OFFICERS'  
MEDICAL AID SCHEME**

*Your health is our concern*

# **Annual General Meeting Report**

**For the Financial Year 2017/18**

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**NOTICE IS HEREBY GIVEN THAT THE 2018 ANNUAL GENERAL MEETING (AGM)  
OF MEMBERS WILL BE HELD AT TRAVEL LODGE, BLOCK 3,  
GABORONE, ON 06<sup>th</sup> DECEMBER 2018 AT 1400HRS**

**AGENDA**

1. NOTICE AND CONSTITUTION OF THE MEETING
2. CONSTITUTION OF THE MANAGEMENT COMMITTEE (MANCO)
3. ADOPTION OF AGENDA
4. APOLOGIES FOR NON-ATTENDANCE
5. CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING (AGM) HELD ON 28<sup>th</sup> NOVEMBER 2017
6. MATTERS ARISING FROM THE MINUTES
7. RECEIPT AND ADOPTION OF THE MANAGEMENT COMMITTEE (MANCO) REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018
8. RECEIPT AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018
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 BPOMAS at [ikeloneilwe@bpomas.co.bw](mailto:ikeloneilwe@bpomas.co.bw) or the BPOMAS Registered Office, Plot 61918, Fairgrounds Office Park, AFA House, 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**

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, not later than 24 hours, prior to the meeting.

**QUESTION AND ANSWER SESSION**

There shall be a question and answer session after the meeting.

**ANNUAL GENERAL MEETING REPORT  
FOR THE FINANCIAL YEAR 2017/18**

**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 06<sup>th</sup> December 2018 at 1400hrs at Travel Lodge, Block 3, Gaborone, and you are entitled to vote at the Annual General Meeting (i.e. member of the Scheme, whose contributions are not in arrears), 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<sup>st</sup> March 2018

YES		NO		ABSTAIN	
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Item 2: Re-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<sup>st</sup> March 2018

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

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



# Extended Premium Waiver

**Because we care, BPOMAS** now allows members to extend their **Premium Waiver** for up to **3 years** after the death of a principal member, allowing you to take care of your loved ones long after you are gone.

**BPOMAS, It's time to plan head.**

For more information  
Call 370 2907



Botswana Public Officers Medical Aid Scheme



[www.bpomas.co.bw](http://www.bpomas.co.bw)



## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME (BPOMAS)

MINUTES OF THE ANNUAL GENERAL MEETING OF THE MEMBERS HELD ON 28 NOVEMBER 2017, AT FAIRGROUNDS HOLDINGS (ANNEX HALL), AT 1400HRS

### 1. PRESENT

S El-Halabi	Ministry of Health and Wellness (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
M D Setshego	Botswana Land Boards & Local Authorities and Health Workers' Union
C Gwere	Independent Member

### 2. IN ATTENDANCE

#### 2.1. PRINCIPAL OFFICER'S OFFICE

T Molebatsi	Principal Officer (PO)
T Rapaepe	Executive Assistant
L Keloneilwe	Legal Counsel & Corporate Secretary - Recording

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

D Thela	Managing Director
T Matutu	Operations Manager
M Matome	Health Risk Manager
S Hlope	Sales and Marketing Manager
P Motshegwa	Senior Sales and Marketing Officer
T Motlaloso	Accountant

#### 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 102 members personally present and 1023 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 Mr K Boepetswe, seconded by Ms J Mulangu.

### 4. APOLOGIES FOR NON-ATTENDANCE

No apologies were received.

### 5. ADOPTION OF THE AGENDA

The agenda was adopted following a proposal by Mr N Moleboge, seconded by Mr C Koitsiwe.

### 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 ANNUAL GENERAL MEETING(AGM) HELD ON 24<sup>th</sup> JANUARY 2017**

The minutes were considered and approved as a true record of the proceedings, on proposal by Mr M Tumaeletse, seconded by Mr N Moleboge and would be signed by the Chairperson.

**8. MATTERS ARISING FROM THE MINUTES**

- 8.1 **Update on signing of minutes of meeting held on 3<sup>rd</sup> June 2016 as per Minute 7-** Done.
- 8.2 **Update on analyzing 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** – the analysis was done and indications made on how much it would cost. However, the matter was deferred due to cost implications and subscription increases in the last two (2) years.
- 8.3 **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 (AFA) was the successful bidder and therefore awarded the tender for a term of three (3) years.
- 8.4 **Update on highlights of the BPOMAS Strategy** - the organizational 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**. However to prepare the Scheme for long term sustainability, there was need to develop the new five (5) year strategy which, among others recognizes the need to increase the Scheme's value proposition to existing members.
- 8.5 **Charitable efforts made by the Scheme to be made part of the AGM report as per Minute 9** - charitable efforts would be made part of the AGM report (if any).
- 8.6 **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 8(2)**. Manco had considered opening for coverage of parents and parents in law. This together, with other strategy initiatives that require approval by general membership would be brought to members for approval before approval by NBFIRA and Cabinet. It was reported that NBFIRA had approved the proposal and Cabinet approval was awaited.
- 8.7 **Update on External Audit Tender by 2017/18 financial year as per Minute 11-** following issuing of a public tender for provision of audit services, Price waterhouse Coopers (PWC) was the successful bidder and therefore awarded the tender for a term of three(3) years renewable annually based on performance of the auditor.

## 9. OVERALL BUSINESS UPDATE BY THE PRINCIPAL OFFICER

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

- **Cost Containment**

Cost containment was a high priority area due to the Scheme's poor financial situation in previous years. Health Care Costs (HCC) had dropped in the 2016/17 financial year to **78%** of Gross Contribution Income (GCI) which validates that the cost containment measures that had been put in place were bearing fruit. Furthermore, focus was made on Non Health Care Costs (NHCC) in order to accelerate the realization of the envisaged benefits which involved re-negotiation of third party contracts, reducing the NHCC down from around **15%** of GCI to **12.8%** in the 2016/17 financial year. The medium to long-term plan is to keep NHCC/administrative costs at around **10%** of GCI.

- **Member Value Proposition**

Due to the historic financial constraints as well as rising medical inflation, the Scheme had not been able to improve or increase benefits in several years. Optional benefits were introduced for those members willing to pay additional premium to purchase additional and optional cover. More developments including extension of cover to include parent dependents and adult child dependents were at an advanced stage before roll out and the required rule change had been approved by NBFIRA and awaiting Cabinet approval. The Scheme was also granted deduction codes, which would enable deduction of additional optional premiums and implementation of these benefits optimally.

- **Revenue Diversification and Membership Growth**

It was worth noting that subscriptions income accounted for more than **95%** of Group revenue. While cost containment continued to be of high priority, there was also a lot of emphasis on diversification of sources of revenue in order to cushion members against large subscription increases as had been experienced in the past. Medical inflation continued to erode member benefits. While inflation had generally been within the Central Bank's medium to long-term target of 3% to 6%. Medical inflation had generally been about 3% higher than CPI. Other cost containment initiatives would continue to be implemented which include maintaining the HCC at around 80% of GCI and reducing NHCC to around **10%** of GCI in the medium to long term, down from the current target of **14%**, which would help increase the reserve funding for the Scheme.

- **Product Innovation**

The new strategy seeks to enhance product innovation capability such that the Scheme would be able to offer members a wider variety of products to meet members' changing needs.

- **Internal Capacity**

The Scheme had been operating a completely outsourced model since inception and while the model had its advantages, the Scheme was heavily reliant on third parties and did not have internal capacity, including the Executive Office. To address this deficiency, the new strategy introduced a hybrid model which includes a combination of "in-house" and "outsourced" functions. Key functions such as Financial Management and Reporting, Sales, Marketing and Customer Relations Management, Legal and Corporate Secretary, Business Development and Product Development would be insourced, ensuring that the locus of control resided within the Scheme.

- **Governance**

The new strategy sought to strengthen the Scheme governance structures including adoption of a governance framework such as King IV.



## 10. CONSIDERATION AND ADOPTION OF THE REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017

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 **P724.7M**, up by **13.7%** from **P637.2M** in **2015/16**. Total Group Surplus before tax was **P96.3M** up by **67%** from surplus of **P57.6M** in the prior year. Gross Contribution Income (GCI) for the year was **P693M** up by **14%** which was largely due to increase in utilization as well as subscriptions effective **1<sup>st</sup> April 2016**. The Claims Ratio in 2015/16 was at **81%** and has reduced to **78%** in the current year, which was below the target of **80%**. The Gross Administrative Expenses (GAE) or total NHCC amounted to **P85.4M** down from **P87.6m** in prior year. GAE as a percentage of contributions income was **12.8%** down from **15%** in prior year and below the target of **14%**. This is a reflection of cost containment efforts made during the year. The Scheme recorded an operating surplus of **P64.3M** up by **155%** from **P25.2M** in prior year. The total surplus inclusive of debenture interest from BPOMAS Property Holdings (BPOMAS PH) and share of profits from Lenmed Health Bokamoso Private Hospital (LHBPH) was **P88.6M**. Debenture Interest received from BPOMAS PH was **P19.3M**. The solvency margin increased from **41%** in prior year to **44%**.

- **Membership**

Scheme Membership closed the year at **72 678**, a drop 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.

- **Access to Healthcare 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 was an increase in utilization of about **8%** despite the drop in membership. 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.

- **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 **62%**; EMS usage (total cases) – **802**; Funeral benefit usage(amount paid) – **P338 800**.

- **Corporate Governance**

The Scheme was managed by ManCo which consisted of eight (8) members, two (2) of whom 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. The Investment Sub-Committee, Tender Committee, HR Ad-Hoc Committee and Finance and Audit Committee were in place to assist ManCo deliver its mandate in line with relevant Charters. ManCo had 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 remained the prerogative of the ManCo.

- **Emoluments for ManCo and Sub-Committees**

ManCo members who are employees of government were not entitled to sitting allowances during the financial reporting period while independent members were paid sitting allowances at a rate of P3,000 (**Three Thousand Pula**). All members were however paid travel and per diem where applicable.

The 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 Chairman and Members respectively. The Finance and Audit Committee members were paid a sitting allowance of P3,000 (**Three Thousand Pula**).

The Directors of BPOMAS PH were paid a monthly retainer of P17,000 (**Seventeen Thousand Pula**) and P13,000 (**Thirteen Thousand Pula**) for the Chairman and Directors respectively.

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

It was **RESOLVED that** the Report of the Management Committee for the year ended **2015/16** be and is hereby adopted.

## 11. **CONSIDERATION AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31<sup>st</sup> MARCH 2017**

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

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 **1<sup>st</sup> April 2016**.

Healthcare Cost (HCC) closed the year at **P541.3M**, up by **10%** from prior year. This increase was largely due to increase in utilisation as well as tariff increase effective **1<sup>st</sup> April 2016**. The claims ratio was however below that of prior year at **78%**, down from **83%** in the **2015/16** period, and below the target of **80%**. 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 dividend from LenMed Health Bokamoso Private Hospital (LHBPH) was **P88.5M**, against a prior year surplus of **P46.7M**, reflecting an increase of **89%** year on year. Debenture interest received from BPH was **P19.3M**, while dividend paid by LHBPH was **P5.2M**. The solvency margin also increased from **41%** in prior year to **44%**.

### **Comments from members:**

One of the members sought clarity on which properties were depreciated and it was explained that buildings, structures and equipment belonging to BPOMAS PH, a **100%** subsidiary of BPOMAS were depreciated.

Upon one of the members requesting that the financials be presented page by page and in more detail explaining financial concepts, another member advised members to read the report in advance and to seek clarifications before the meeting for better understanding and/or appreciation.

Upon some members tabling their concerns regarding Bokamoso Private Hospital, the members were advised that there would be a question and answer session after the AGM where the office of the Administrator and the Principal Officer would be available to answer all questions/concerns.

It was **RESOLVED that** the Audited Annual Financial Statements for the years ended **2016/17** be and are hereby adopted after proposal by Mr J Notice, seconded by Mr T Mooketsi.

## 12. APPOINTMENT OR RE-APPOINTMENT OF EXTERNAL AUDITORS FOR THE ENSUING YEAR

It was reported that as reported under matters arising, page **16** under item **7**, following issuing of a public tender for provision of audit services, PricewaterhouseCoopers(PwC) was the successful bidder and therefore awarded the tender for a term of three(3) years renewable based on performance.

The appointment is therefore for the following years:

- 2017/2018;
- 2018/2019;
- 2019/2020.

The Management Committee therefore proposed that the members should ratify the appointment of external auditors for a term of three (3) years renewable annually based on performance.

In response to a question by one of the members on who were members of the Tender Sub-Committee and who established the Committee, it was confirmed that the Tender Sub-Committee comprised of two (2) ManCo members who were Ms. A Kiberu-Mosarwa and Ms. R Nkolonyane as well as Mr. M Gondo, a former ManCo member and member of the Finance and Audit Committee. On who had established the Committee the member was referred to Rule **21.14** which provided that the Management Committee could delegate any of its functions to one or more Sub-Committees.

On why the contract award was for three (3) years and whether they would be maintained if inflation rates dropped, it was clarified that the appointment was subject to performance; further, that price was taken into account upon award.

It was **RESOLVED that** PricewaterhouseCoopers be and are hereby appointed as external auditors of BPOMAS for the Financial Year **2017/18**, **2018/2019** and **2019/2020**, renewable annually based on performance, on proposal by Mr. M Tumaletse and seconded by Mr. T Moremi.

## 13. ANY OTHER BUSINESS

Chairperson Farewell Remarks

The Chairperson announced that she was retiring as the Permanent Secretary, Ministry of Health and Wellness, therefore as the Chairperson of the Management Committee.

The following which took place during her tenure were highlighted:

- Turnaround Strategy that was developed in December 2014 was rolled out which primarily focused on cost containment.
- Cost containment was a high priority area which included re-negotiation of third party contracts which had an immediate impact of reducing the NHCC down from around **15%** to GCI to **12,8%**;
- Regularization of holding of AGMs.

## **ACTION SHEET**

<b>NO</b>	<b>ACTION ITEM</b>	<b>ACTION BY</b>	<b>DUE DATE</b>
1	Update on signing of Minutes of meeting held on 24 January 2017 as per Minute 7	Chairperson	Next AGM
2	Update on analyzing 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 2	Manco	Next AGM
3	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 6	Manco	Next AGM
3	Update on next AGM, Minute 14	Manco	Next AGM

## **MATTERS ARISING**

<b>NO</b>	<b>ACTION ITEM</b>	<b>ACTION BY</b>	<b>DUE DATE</b>	<b>UPDATE</b>
1	Update on signing of Minutes of meeting held on 24 <sup>th</sup> January 2017, Minute 7	Chairperson	Next AGM	Done
2	Update on analyzing 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 2	Manco	Next AGM	The analysis was done and indications made on how much it would cost how ever, the matter was deferred due to cost implications and subscription increases in the last two (2) years.
3	Update on consideration to cover or reward single members to at least include or cover one parent as married people covered their spouses, Minute 6	Manco	Next AGM	The proposal was included in the last Rules Review, which were approved by Cabinet on 30 May 2018. Parent Dependents as defined below are therefore covered in terms of the Rules(subject to the provisions in the Rules): 4.23 "Parent dependent" shall mean a member's biological or adoptive mother or father, biological or adoptive mother or father of a member's spouse; who is not a pensioner as defined under Rule 4.24 and is not more than sixty-five (65) years of age at the time of entry.
4	Update on next AGM, Minute 14	Manco	Next AGM	Done

## CHAIRPERSON'S FOREWORD



Ruth Maphorisa  
Chairperson

*As members are aware, the previous Management Committee (ManCo) Chairperson, Ms. Shenaaz El-Halabi left office during the course of the financial year 2017/18. Following her departure, there was a vacancy in the ManCo Chairmanship for some months before I was appointed the Permanent Secretary(PS), Ministry of Health & Wellness, and therefore, Chairperson of the ManCo. During this period, the Vice Chairperson, Ms Agnes Kiberu-Mosarwa was the Acting Chairperson as per the Scheme Rules and ManCo Charter. It is clear from this Annual Report, that she, and the rest of the ManCo demonstrated great ability to steer the ship in the right direction.*

In light of the above, it is my pleasure to present the **2017/18** Group Annual Report and to point out that this year's Annual General Meeting marks almost thirty (30) years of providing access to healthcare services to our members.

Despite the subdued economic conditions as well as the challenging business environment that persisted during the 2017/18 financial year, the Scheme and the Group as a whole recorded positive results.

This was largely as a result of us getting the most out of our limited resources, for which I applaud the Management Committee (ManCo) and Directors of our subsidiary BPOMAS

Property Holdings (Pty) Ltd (BPOMAS PH), the Principal Officer and his team, as well as the Scheme Administrators.

### The Business Environment

Our peculiarities inform our business decisions. Owing to stagnation of government employees' salaries for some time, ManCo made a business decision to freeze subscriptions during the reporting period. At the same time, an inflationary adjustment was made on the Scheme tariffs for all healthcare services, which was aimed at cushioning members against excessive out of pocket payments.

Medical inflation, increase in chronicity, service provider- induced demand as well as over-servicing, abuse and fraud continued to put pressure on our cost of doing business.

The unfavourable macroeconomic factors, inter alia, limited business opportunities also negatively affected the rate of growth and the returns from our financial assets. The Scheme's financial assets are largely invested in the money market instruments with exposure to equities and fixed income instruments mainly to match the short-term liabilities and minimise risk through diversification. Generally, both the fixed income and the equities markets yielded low returns.

There has also been poor performance in the Property market, leading to a re-valuation loss on the investment property held under BPOMAS Property Holdings. The Company also experienced some reduction in revenue as we entered the next phase of the lease agreement, which came with revision to the rental levels anticipated at the beginning of the lease agreement.

### Our Response

We continued with the implementation of the Turnaround Strategy of 2014, which has yielded good results. Over the last three (3) years, there has been a general downward trend in both the claims ratio and the administrative costs. This trend has continued in the **2016/17** financial year, though now reaching its trough.

During the reporting period, we therefore adopted a five-year strategy which will be running from **2017/18 -2021/2022**. The Strategy is an expansion and extension of the Turnaround Strategy, and largely emphasises on leveraging on our strengths to unlock value. The strategy also recognises the need to enhance our

internal capacity. In line with the strategy, the Scheme would adopt a hybrid operating model effective **1<sup>st</sup> April 2018**.

As per the aforementioned model, the Scheme would insource some functions that were previously outsourced (Legal & Corporate Services, Sales and Customer Relationship Management, Financial Management and Reporting, etc.) as well as enhance capacity by introducing new functions with aim to strengthen our capacity in areas of business development and product development.

The Membership Management, Claims Management and Managed Care functions remain outsourced with our current Administrators.

### **The Group Performance**

I am happy to report that despite the above mentioned challenges, the Group recorded a surplus for the third consecutive year.

The surplus was however lower than that of prior year due to factors mentioned above. The claims ratio stood at **83%**, up from **80%** in prior year as a result of increase in benefit funding, but well within the targeted range of **80% - 85%**.

The Gross Administrative Expenses (GAE) stood at **11%** of Gross Contribution Income (GCI), against prior year, figure of **9%**, and below target of **14%**. Member related expenses (MRE) were within the **2%** target at **1.8%** of GCI. These are positive results at the backdrop of the business and macroeconomic conditions discussed above, and are

a direct result of cost containment measures that continued to be implemented during the **2017/18** financial year as well as our sound investment strategy.

### **Meeting our Mandate**

As already alluded to above, more and more members continue to access healthcare, though with an increasing trend in the out of pocket payments.

I also note that the benefit levels have not been reviewed in a long time, and have ordinarily started being eroded by inflation.

This was largely due to affordability issues, partly a direct result of freezing of subscription increases in the past, which limited our ability for the Scheme tariffs to keep up with medical inflation as well as improving benefits.

Catastrophic out of pocket payments can be a big hindrance for access to healthcare and should be avoided if we are to continue meeting the objectives of our mandate as a Scheme. This will be something for us to tackle going forward.

In closing, once again I applaud my team for the positive results that they have continued to produce under these very hostile economic conditions, but also challenge them to put more effort towards ensuring that we derive maximum value from leveraging on our strengths, passing that value to members in order to improve their experience.



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**Chairperson**

## REPORT TO THE MEMBERS' ANNUAL GENERAL MEETING FOR THE PERIOD 2017/2018

### 1. Financial Performance

#### The Group

Group revenue for the year was **P721.2M**, down by **0.5%** from the **2016/17** figure of **P724.7M** due to a drop in rental income from BPOMAS Property Holdings (BPH). Total group surplus before tax was **P52.6M**, down by **45.3%** from surplus of **P96.3M** in prior year. The decline in the group surplus is attributable to fair value loss of **P16M** on investment property as well as increase in benefit funding.

#### The Scheme

At Scheme level, Gross Contributions Income (GCI) for the year was unchanged from that of prior year at **P693M**. This is attributable to waiving of subscriptions increase for the reporting period.

Healthcare Cost (HCC) closed the year at **P564.3M**, up by **4.3%** from **P541.3M** of prior year. This increase was largely due to increase in utilisation as well as tariff increase of **3%** effected on **1<sup>st</sup> April 2017**. The increase in Healthcare Costs resulted in increase in claims ratio to **83%**, from **80%** in the **2016/17** period, but remained within the targeted range of **80% - 85%**.

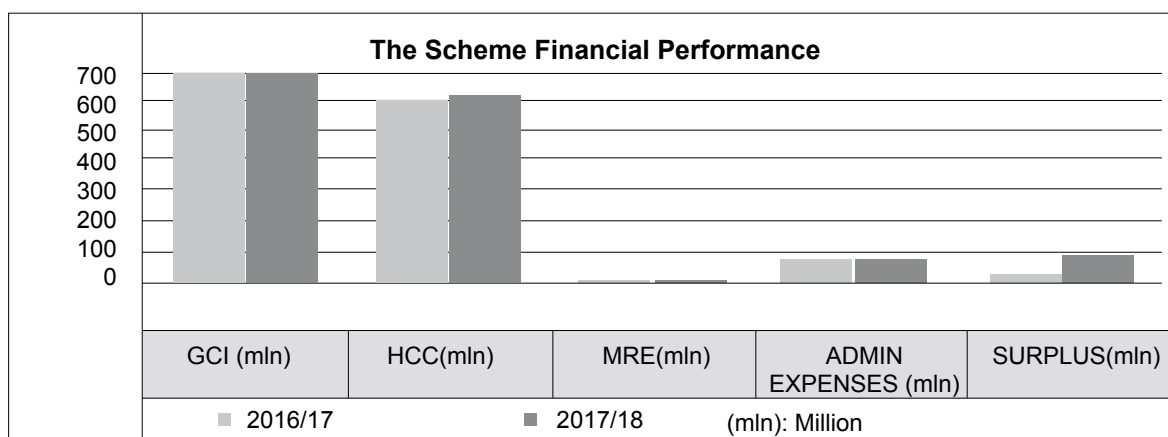
The Gross Administrative Expenses (GAE) or Non-Healthcare Costs (NHCC) amounted to **P81.3M**, up from **P76.4M** in the previous year. GAE as a percentage of contributions income was **11.7%** up from **11.0%** in prior year, but within target of **14%**. The slight increase is due to inflationary adjustments of contract fees with third parties. The Member Related Expenses (MRE), which include Funeral benefits paid and Emergency Medical Services, amounted to **P12.5M** compared to **P12.2M** of the previous year. The MRE as a percentage of contribution income is **1.8%** almost the same as the one for previous year at **1.76%**, and within target of **2%**.

The Scheme recorded an operating surplus of **P36.3M**, down by **43.4%** from **P64.2M** in prior year. This result was largely due to non-increase of GCI but 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 **P62.1M**, against a prior year surplus of **P88.1M**, reflecting a decrease of **29.5%** year on year. Debenture interest received from BPH was **P15.5M**, while share of profit on investment on LHBPH was **P6.7M**. Solvency was **41%** while risk based solvency remained constant at **19%**.

The Scheme financial performance is summarised in the graph below:

**Figure 1: Summary of BPOMAS financial performance (BWP)**



As highlighted, HCC and Administrative expenses increased whereas surplus declined when compared to prior year.

**2. Membership**

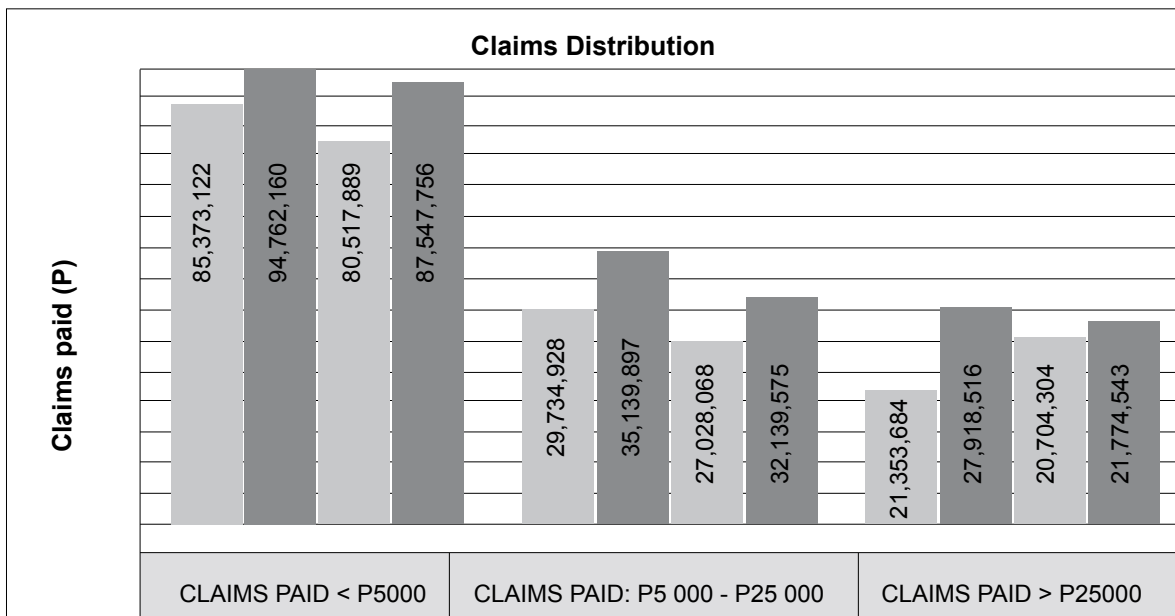
Scheme Membership closed the year at **73 711**, an increase of **1.28%** from the prior year membership of **72 768** principal members. Total lives covered closed the year at **175 063** representing an increase of around **1.36%** when compared to the prior year figure of **172 792** lives.

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

During the year under review an average of **84 372** beneficiaries (**48.2%** of all beneficiaries) were facilitated access to health care services per quarter, up from an average of **81 938** in **2016/17** financial year. This represents an increase in utilisation of about **3%**.

The graph below shows the distribution of average claim size for all beneficiaries who accessed healthcare. On average **62%** of claims were less than **P5 000**, **22%** of claims were between **P5 001** and **P25 000** and **16%** of the claims were more than **P25 000** per quarter.

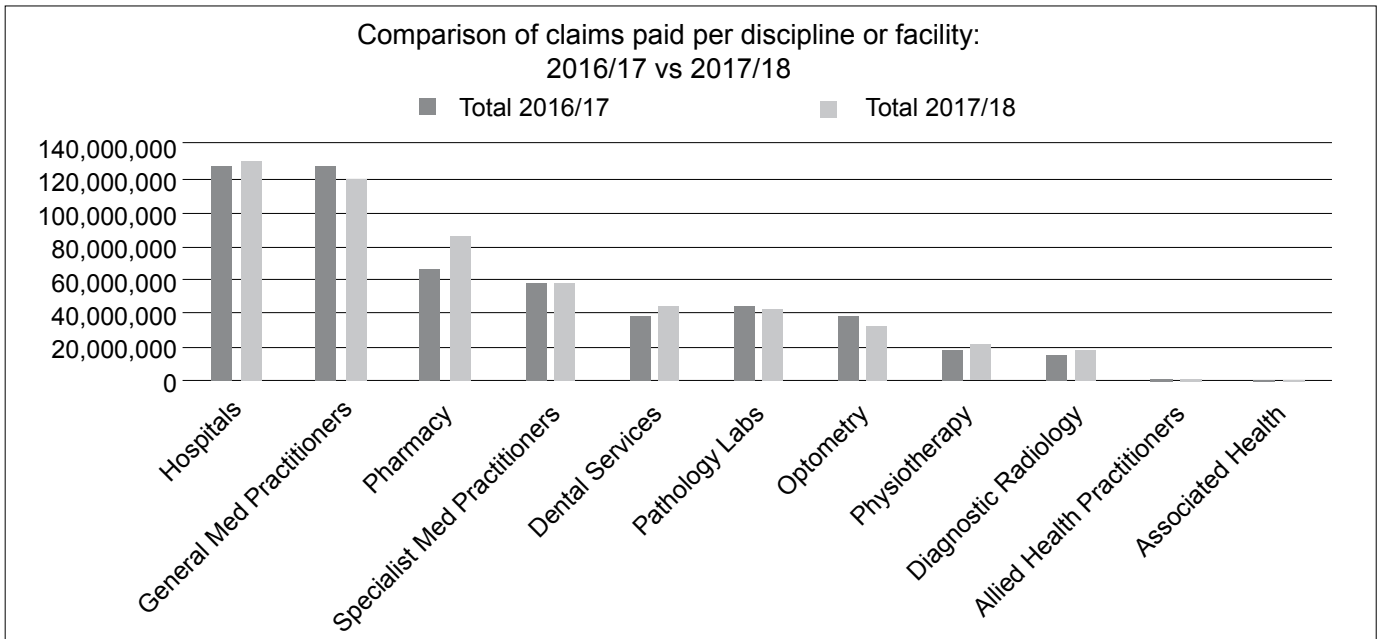
**Figure 2: Scheme’s distribution of average claim size**





Access by discipline as shown in figure 3 below shows that the most accessed services by cost were general medical practitioners, hospitals and pharmacy, collectively constituting more than 60% of total utilisation.

**Figure 3: Disciplines / facilities accessed**

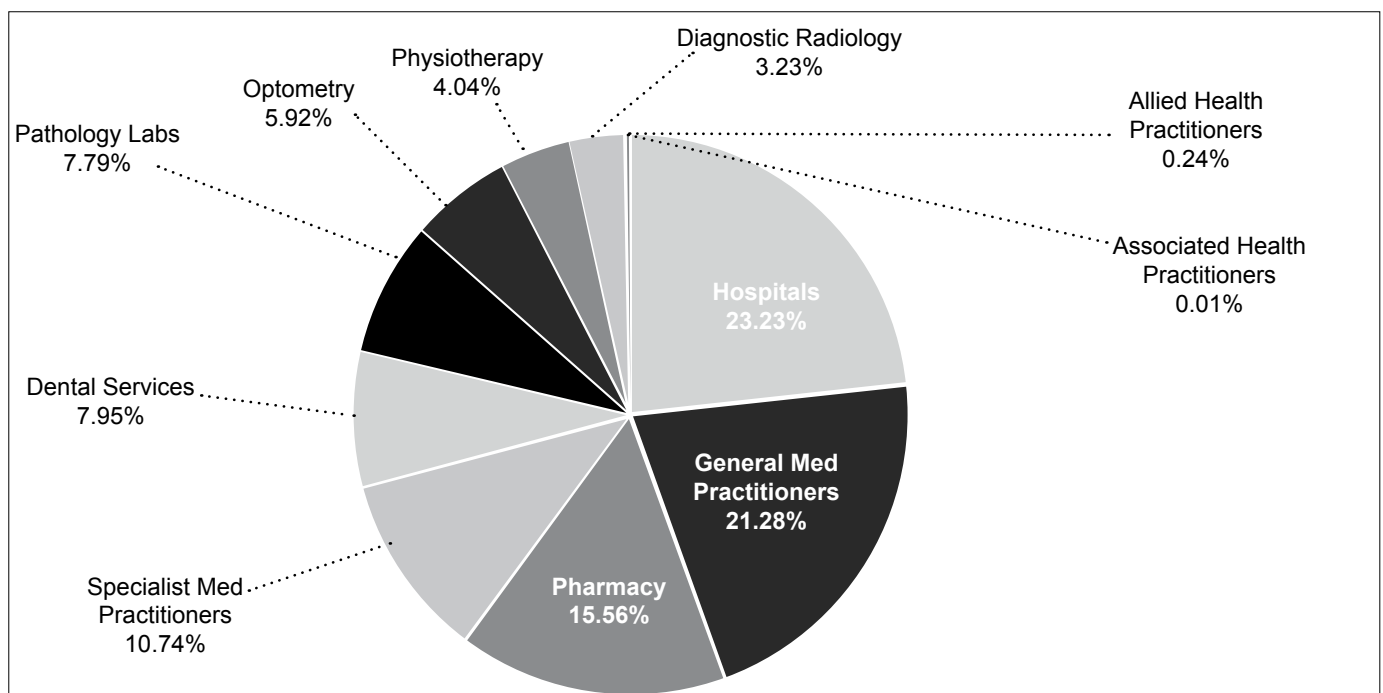


Current year claims distribution is generally the same as that of prior year; however, there are some noticeable significant difference in total claims for some categories. General Practitioners total claims dropped by 6% whereas Pharmacy claims increased by 29%. The movement on both costs is due to implementation of limits on doctor dispensing which was effected in December 2017. This change shifted the dispensing of medicines away from medical doctors to pharmacies.

There is an observed above-average increase in utilisation in the Physiotherapy, Diagnostic Radiology and Dental claims. There was a decrease of 4% in the pathology claims, which was a result of health risk management interventions introduced during the year.

Below is a pie chart showing 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. Other Healthcare indicators

Indicator	2016/17	2017/18
Average Age(Principal lives)	43	45
Average Age (Total Lives)	30	30
Percentage of Pensioners	9.0%	9.1%
Members On NCD benefit	13 379	13 285
Members on HIV/AIDS program	10 699	10 620
Number of GP visits	412 184	447 706
Admission rate per 1000 lives	2.7%	3.2%
Average length of stay	2.6 days	2.5 days
Number of maternity cases	967	862
C-Section	62%	53.4%
Emergency Medical Services(total cases)	802	836
Funeral Benefit Usage(amount paid in BWP)	3 203 600	3 604 360

The table above indicates slight movements on the indicators except on C-Section cases where a significant reduction was observed. The continuous efforts of encouraging normal delivery as opposed to C- Section are bearing fruit as evidenced by significant decline of the latter compared to prior year.

#### 5. CORPORATE GOVERNANCE

##### Overview

BPOMAS prides itself in maintaining a top-notch governance structure that is transparent and fair in all its policies. We conduct our operations in accordance with internationally accepted principles of good governance and best practice and ensure compliance with local, statutory requirements of the regulator, Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and the Registrar of Societies at group level and the Companies and Intellectual Property Authority (CIPA) at subsidiary level.

To ensure compliance to good governance, we continuously engage with governing bodies concerning good governance and relevant legislative changes.

##### 5.1 Manco Composition and Effectiveness

The Management Committee (ManCo) is responsible for the overall 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. The Management Committee oversees the Executive Office and meets quarterly to consider and approve proposals through resolutions. To ensure that the Scheme is managed by fit and proper team, the members of the Management Committee undergo a vetting process by NBFIRA before appointment.

The ManCo was constituted as per Table 1 below for the reporting period:

**Table 1: ManCo Composition**

<b>Member</b>	<b>Representing</b>
1. Ms. Shenaaz El-Halabi	Ministry of Health and Wellness – Chairperson (retired in November 2017 and replaced by Ms Ruth Maphorisa in April 2018)
2. Mr. Matshwenyego Setshego	Botswana Land Board Local Authorities and Health Workers Union (BLLAHWU) – 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. Motseledi Motloutse Ast. Commissioner	Disciplined Forces (Botswana Police Service)
8. Mr. Wankie Wankie	Independent Member
9. Brigadier Kagiso Kgaswanyane (alternate to Mr Motloutse)	Disciplined Forces (Botswana Defence Force)

## 5.2 Sub-Committees

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 Sub-Committee,
- Investment Sub-Committee,
- HR Sub-Committee, and
- Tender Sub-Committee.

## 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. The ManCo held ten (10) meetings during the year. All the meetings were held with attendance rate as shown in the table below:

**Table 2: Management Committee meetings**

<b>Member</b>	<b>26 Jun 2017</b>	<b>08 Aug 2017</b>	<b>05 Sep 2017</b>	<b>26 Oct 2017</b>	<b>09 Nov 2017</b>	<b>28 Nov 2017</b>	<b>30 Jan 2018</b>	<b>15 Mar 2018</b>	<b>16 Mar 2018</b>	<b>28 Mar 2018</b>
Ms. Shenaaz El-Halabi	P	A	P	P	P	P	N/A	N/A	N/A	N/A
Mr. Matshwenyego Setshego	P	P	P	P	P	P	P	P	P	P
Mr. Christopher Gwere	P	P	P	P	P	P	P	P	P	P
Mr. Motseledi Motloutse	N/A	P	P	P	A	N/A	P	P	P	P
Ms. Rose Nkolonyane	P	P	P	P	P	P	P	P	P	P
Mr. Olesitse Masimega	P	A	P	A	A	A	P	A	A	A
Ms. Agnes Kiberu-Mosarwa	P	P	P	P	P	P	P	A	A	P
Mr. Kagiso Kgaswanyane (alternate to Mr. Motseledi Motloutse)	P	N/A	N/A	N/A	N/A	P	N/A	N/A	N/A	N/A
Mr. Wankie Wankie	N/A	N/A	N/A	N/A	N/A	N/A	P	P	P	P

*P- Present*

*A-Absent/Apology*

*N/A (did not need to attend OR was not a member at the time)*

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

##### ManCo

Prior to 1<sup>st</sup> April 2017, ManCo members who are employees of government were not paid sitting allowances. However following a government directive to pay sitting allowances to government employees last year (2017), all ManCo members were paid sitting allowance at a rate of Four Thousand Five Hundred Pula (**P4,500**) and Three Thousand Pula (**P3,000**) for the Chairperson and members respectively. Sitting allowances paid in the financial year per each Manco member is shown below:

**Table 3: Manco Emoluments**

Member	Remuneration as at March 2018
Ms. Shenaaz El-Halabi	P22,500.00
Mr. Matshwenyego Setshego	P31,500.00
Mr. Christopher Gwere	P33,000.00
Mr. Motseledi Motloutse	P21,000.00
Mrs. Rose Nkolonyane	P30,000.00
Mr. Olesitse Masimega	P9,000.00
Mrs. Agnes Kiberu-Mosarwa	P25,500.00
Mr. Wankie Wankie	P12,000.00
Brigadier Kagiso Kgaswanyane	P6,000.00
<b>Total ManCo Remuneration for the year</b>	<b>P190,500.00</b>

#### 5.5 Investment Sub-Committee

The Investment Sub-Committee Chairperson, Mr. Reuben Morapedi and Ms. Grace Tabengwa were paid a monthly retainer of P17, 000 (**Seventeen Thousand Pula**) and P13, 000 (**Thirteen Thousand Pula**) respectively, in line with their letters of appointment (and pending the decision to change remuneration model from retainer to sitting allowance). Members who were appointed post the decision on the other hand, were paid P3, 000 (**Three Thousand Pula**) per sitting in line with ManCo remuneration model and post the decision to change from retainer to sitting allowance. The Investment Sub-Committee emoluments are as shown below:

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

Member	Remuneration as at March 2018
Mr. Reuben Morapedi	P204,000.00
Mr. Olesitse Masimega	P3,000.00
Mr. Matshwenyego Setshego	P9,000.00
Ms. Grace Tabengwa	P13,000.00
<b>Total Investment Sub-Committee Remuneration for the year</b>	<b>P229,000.00</b>

#### 5.6 Finance and Audit Sub-Committee

The Finance and Audit Sub-Committee members were paid a sitting allowance of Four Thousand, Five Hundred Pula (**P4,500**) and Three Thousand Pula (**P3,000**) for the Chairperson and Members respectively. The emoluments were paid as follows:

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

Member	Remuneration as at March 2018
Ms. Sethunya Molosiwa	P9,000.00
Mr. Moore Gondo	P6,000.00
Ms. Agnes Motlhanka	P6,000.00
<b>Total Audit Sub-Committee Remuneration for the year</b>	<b>P21,000.00</b>

#### 5.7 HR Sub-Committee

The HR Sub-Committee members were paid a sitting allowance of Four Thousand, Five Hundred Pula (**P4,500**) and Three Thousand Pula (**P3,000**) for the Chairperson and Members respectively. The emoluments were paid as follows:

**Table 6: HR Sub-Committee emoluments**

Member	Remuneration as at March 2017
Mr. Christopher Gwere	P6,000.00
Ms. Rose Nkolonyane	P10,500.00
<b>Total HR Sub-Committee Remuneration for the year</b>	<b>P16,500.00</b>

#### 5.8 Tender Sub-Committee

The Tender Sub-Committee members were paid a sitting allowance of P4,500 (**Four Thousand Five Hundred Pula**) and P3,000 (**Three Thousand Pula**) for the Chairperson and Members respectively. The emoluments were paid as follows:

Member	Remuneration as at March 2018
Ms. Agnes Kiberu-Mosarwa	P78,000.00
Mr. Moore Gondo	P18,000.00
Ms. Rose Nkolonyane	P60,000.00
Mr. Olesitse Masimega	P6,000.00
<b>Total Tender Sub-Committee Remuneration for the year</b>	<b>P162,000.00</b>

**5.9 BPOMAS Property Holdings (BPOMAS PH)**

The Board of Directors were paid a sitting allowance of P4,500 (**Four Thousand Five Hundred Pula**) and P3,000 (**Three Thousand Pula**) for the Chairperson and Members respectively. The emoluments were paid as follows:

**Table 7: BPOMAS PH Board Emoluments**

<b>Director</b>	<b>Remuneration as at March 2018</b>
Mr. Matshwenyego Setshego	P13,500.00
Mr. Agnes Kiberu-Mosarwa	P12,000.00
Mr. Kumbulani Munamati*	P3,000.00
Mr. Tefo Setlhare*	P3,000.00
Ms. Peo Pillar*	P3,000.00
<b>Total BPOMAS PH Remuneration for the year</b>	<b>P34,500.00</b>

*\*appointed during the financial year*

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.

## BPOMAS MANAGEMENT COMMITTEE MEMBERS



**Shenaaz El-Halabi**  
Chairperson (Retired Nov 2017)

### Qualifications & Experience

Masters of Public Health, Boston University, United States of America (USA), Bachelor of Health Sciences (Hons), Leeds Metropolitan University, Leeds, United Kingdom(UK); Over 15 years' experience in Public Health.



**Agnes Kiberu-Mosarwa**  
Vice Chairperson (BOPEU)

### Qualifications & Experience

Bachelors Degree in Public Health Administration, Manhattan Bay University; Over 7 years' experience as a member of the Management Committee and Director of the BPOMAS subsidiary company, BPOMAS Property Holdings.



**Rose Nkolonyane**  
Department Public Service Management (DPSM)

### Qualifications & Experience

Master of Science in Strategic Management, University of Derby, United Kingdom, Association of Accounting Technician Diploma in Accounting and Business Studies, Enterprise Risk Management (Postgraduate Certificate) with more than 15 years work experience in Finance, HR, Admin and Procurement.



**Olesitse Masimega**  
Ministry of Finance & Economic Development

### Qualifications & Experience

Bachelor of Commerce, Accounting Major, University of Botswana. A Public Finance Management practitioner with over 30 years of experience in the public sector. Areas of expertise include strategic planning, leadership and large programme coordination, financial management, policy and budget formulation, project management, people management and auditing skills.



**Motsekedi Motloutse**  
Botswana Police Service

**Qualifications & Experience**

Diploma in Public Finance and Accounting, Botswana Institute of Administration and Commerce (BIAC), over 15 years in the Police Service and Public Finance.



**Matshwenyego Setshego**  
BLLAWHU

**Qualifications & Experience**

Advanced Diploma in Family Nurse Practice, Gaborone Institute of Health Sciences; Diploma in General Nursing; Member of the Management Committee and Director of the BPOMAS subsidiary company, BPOMAS Property Holdings for over 7 years until May 2018.



**Christopher Gwere**  
Independent Member

**Qualifications & Experience**

Chartered Accountant, Chartered Institute of Management Accountants (CIMA), Association of Accounting Technicians (AAT) Debswana Accountancy, vast experience of over 20 years in the Financial Sector.



**Wankie Wankie**  
Independent Member

**Qualifications & Experience**

Masters of Laws(LLM), University of Shetfield, United Kingdom(UK); Bachelor of Laws(LLB), University of Botswana; admitted to practice as an Attorney of the High Court of Botswana in 1994; over 15 years' experience as an Attorney in areas including corporate governance and risk governance.



## BPOMAS EXECUTIVE MANAGEMENT TEAM



**Thulaganyo Molebatsi**  
Principal Officer

### Qualifications & Experience

BSc and MSc Actuarial Science, more than 15 years' work experience in among others Actuarial Consultancy, Life Insurance and Medical Aid.



**Linda Keloneilwe**  
Legal Counsel & Corporate Secretary

### Qualifications & Experience

MSc Strategic Management, BCOM:Law, Bachelor of Laws (LLB), Enterprise Risk Management( Postgrad Certificate), more than 10 years' work experience in areas including Board Secretarial, Corporate Governance, Legal and Medical Aid.



**Thato Motlalo**  
Finance & Administration Manager

### Qualifications & Experience

Bachelor of Accounting (BAcc), Fellow member of ACCA for 8 years, more than 10 years' work experience in areas including Audit, Banking and Medical Aid.



**Dr Lesego Lesley Sikele**  
Business Development Manager

### Qualifications & Experience

Bachelor of Medicine and Surgery (MBChB), and Diploma in Tropical Medicine and Hygiene(DTM&H), Mandela Washington Fellow in Business & Entrepreneurship, more than 10 years' work experience in the Health Industry including Emergency Medical Services.



# **ABRIDGED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

For the Financial Year Ended 31<sup>st</sup> MARCH 2018

## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### GENERAL INFORMATION

for the year ended 31<sup>st</sup> March 2018

### MANAGEMENT COMMITTEE

Management Committee Members as at 31<sup>st</sup> March 2018 are as follows:

#### Main members

Ms. Shenaaz El-Halabi - Chairperson (Retired Nov 2017)  
Agnes Kiberu - Mosarwa Vice Chairperson  
Wankie Wankie  
Rose Nkolonyane  
Olesitse Masimega  
Motsekedi Motloutse  
Christopher Gwere  
Matshwenyego Setshego

#### Alternate members

Brigadier Kagiso Kgwaswanyane

### 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

### LAWYERS

Minchin & Kelly (Botswana)

# ABRIDGED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the Financial Year Ended 31<sup>st</sup> MARCH 2018

## GLOSSARY

General Information

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## STATEMENT OF RESPONSIBILITIES BY THE MANAGEMENT COMMITTEE

For the year ended 31st March 2018

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 31 to 52 which were approved and are signed on its behalf by:



.....  
Chairperson



.....  
Committee Member

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

**For the year ended 31st March 2018**

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.

## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME for the year ended 31<sup>st</sup> March 2018

Notes	Group 2018 P	2017 P	Scheme 2018 P	2017 P
<b>Revenue</b>				
Income from contributions	<b>692,919,670</b>	692,935,005	<b>692,919,670</b>	692,935,005
Rental income	<b>28,320,920</b>	31,810,366	-	-
	<b>721,240,590</b>	724,745,371	<b>692,919,670</b>	692,935,005
<b>Cost of services</b>				
Benefits paid	<b>3 (576,830,093)</b>	(553,501,805)	<b>(576,830,093)</b>	(553,501,805)
	<b>144,410,497</b>	171,243,566	<b>116,089,577</b>	139,433,200
Fair value (loss)/gain on investment property	<b>(16,300,000)</b>	2,300,000	-	-
Other income	<b>1,637,656</b>	3,064,046	<b>1,579,312</b>	1,208,480
Administrative expenses	<b>3 (87,750,480)</b>	(85,441,841)	<b>(81,299,327)</b>	(76,357,881)
<b>Operating surplus</b>	<b>41,997,673</b>	91,165,771	<b>36,369,562</b>	64,283,799
Finance income	<b>4 8,622,190</b>	5,022,043	<b>23,684,869</b>	24,138,612
Finance cost	<b>4 (4,661,028)</b>	(5,032,294)	<b>(4,661,028)</b>	(5,032,294)
<b>Finance (cost) / income - net</b>	<b>3,961,162</b>	(10,251)	<b>19,023,841</b>	19,106,318
Share of profit on investments accounted for using equity method	<b>9 6,664,943</b>	5,179,724	<b>6,664,943</b>	5,179,724
Surplus before income tax	<b>52,623,778</b>	96,335,244	<b>62,058,346</b>	88,569,841
Income tax credit/(expense)	<b>5 3,772,936</b>	(789,857)	-	-
<b>Total surplus for the year</b>	<b>56,396,714</b>	95,545,387	<b>62,058,346</b>	88,569,841
<b>Other comprehensive income</b>				
Changes in fair value of available-for-sale financial assets	<b>10 50,988</b>	(446,590)	<b>50,988</b>	(446,590)
<b>Total comprehensive income for the year</b>	<b>56,447,702</b>	95,098,797	<b>62,109,334</b>	88,123,251
<b>Attributable to:</b>				
Owners of the parent	<b>56,447,702</b>	95,098,797	-	-
Non-controlling interest	-	-	-	-
	<b>56,447,702</b>	95,098,797	-	-



## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION as at 31<sup>st</sup> March 2018

	Notes	Group 2018 P	2017 P	Scheme 2018 P	2017 P
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	17,912,073	17,370,626	3,030,149	-
Investment property	6	256,000,000	272,300,000	-	-
Investment in subsidiary	8	-	-	1,783,000	1,783,000
Investment in associate company	9	22,012,951	15,348,008	22,012,951	15,348,008
Available-for-sale financial assets	10.1	20,643,219	20,592,231	197,160,219	197,109,231
Related party loan receivables		15,599,700	20,099,700	15,599,700	20,099,700
		<b>332,167,943</b>	<b>345,710,565</b>	<b>239,586,019</b>	<b>234,339,939</b>
<b>Current assets</b>					
Available-for-sale financial assets	10.2	184,623,945	148,389,763	184,623,945	148,389,763
Trade and other receivables	11	34,060,992	48,262,040	8,908,191	13,904,715
Cash and cash equivalents	12	102,930,727	61,966,635	78,183,756	55,065,167
		<b>321,615,664</b>	<b>258,618,438</b>	<b>271,715,892</b>	<b>217,359,645</b>
<b>Total assets</b>		<b>653,783,607</b>	<b>604,329,003</b>	<b>511,301,911</b>	<b>451,699,584</b>
<b>RESERVES AND LIABILITIES</b>					
<b>Reserves</b>					
Available-for-sale reserve		8,373,816	8,322,828	8,373,816	8,322,828
Accumulated surplus		287,349,661	261,982,120	173,133,490	142,104,317
Retirement reserve	13	214,573,666	183,544,493	214,573,666	183,544,493
		<b>510,297,142</b>	<b>453,849,440</b>	<b>396,080,971</b>	<b>333,971,637</b>
<b>Non-current liabilities</b>					
Deferred income tax liabilities	14	22,768,991	27,741,564	-	-
Borrowings	15	51,463,061	55,826,893	51,463,061	55,826,893
		<b>74,232,052</b>	<b>83,568,457</b>	<b>51,463,061</b>	<b>55,826,893</b>
<b>Current liabilities</b>					
Borrowings	15	5,480,370	6,037,639	5,480,370	6,037,639
Provision for outstanding claims	16	45,489,413	44,866,894	45,489,413	44,866,894
Trade and other payables	17	17,084,993	16,006,573	12,788,096	10,996,521
Income tax payables		1,199,637	-	-	-
		<b>69,254,413</b>	<b>66,911,106</b>	<b>63,757,879</b>	<b>61,901,054</b>
<b>Total liabilities</b>		<b>143,486,465</b>	<b>150,479,563</b>	<b>115,220,940</b>	<b>117,727,947</b>
<b>Total reserves and liabilities</b>		<b>653,783,607</b>	<b>604,329,003</b>	<b>511,301,911</b>	<b>451,699,584</b>

## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN RESERVES for the year ended 31<sup>st</sup> March 2018

GROUP	Notes	Available- for-sale reserve P	Accumulated surplus P	Retirement reserve P	Total P
<b>For the year ended 31 March 2017</b>					
Balance as at 1 April 2016		8,769,418	210,721,653	139,259,572	358,750,643
<b>Comprehensive income</b>					
Surplus for the year			95,545,387	-	95,545,387
Transfer to retirement reserve	13		(44,284,921)	44,284,921	-
<b>Other comprehensive income</b>					
Changes in fair value of available-for-sale financial assets	10	(446,590)	-	-	(446,590)
<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>
<b>For the year ended 31 March 2018</b>					
Balance as at 1 April 2017		8,322,828	261,982,120	183,544,493	453,849,440
<b>Comprehensive income</b>					
Surplus for the year		-	56,396,714	-	56,396,714
Transfer to retirement reserve	13	-	(31,029,173)	31,029,173	-
<b>Other comprehensive income</b>					
Changes in fair value of available-for-sale financial assets	10	50,988	-	-	50,988
<b>Balance as at 31 March 2018</b>		<b>8,373,816</b>	<b>287,349,661</b>	<b>214,573,666</b>	<b>510,297,142</b>

## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN RESERVES for the year ended 31<sup>st</sup> March 2018

SCHEME	Notes	Available- for-sale reserve P	Accumulated surplus P	Retirement reserve P	Total P
<b>For the year ended 31 March 2017</b>					
Balance as at 1 April 2016		8,769,418	97,819,396	139,259,572	245,848,386
<b>Comprehensive income</b>					
Surplus for the year		-	88,569,841	-	88,569,841
Transfer to retirement reserve	13	-	(44,284,921)	44,284,921	-
Other comprehensive income					
Changes in fair value of available- for-sale financial assets	10	(446,590)	-	-	(446,590)
		<u>8,322,828</u>	<u>142,104,317</u>	<u>183,544,493</u>	<u>333,971,637</u>
<b>For the year ended 31 March 2018</b>					
Balance as at 1 April 2017		<b>8,322,828</b>	<b>142,104,317</b>	<b>183,544,493</b>	<b>333,971,637</b>
<b>Comprehensive income</b>					
Surplus for the year		-	<b>62,058,346</b>	-	<b>62,058,346</b>
Transfer to retirement reserve	13	-	<b>(31,029,173)</b>	<b>31,029,173</b>	-
<b>Other comprehensive income</b>					
Changes in fair value of available-for-sale financial assets	10	<b>50,988</b>	-	-	<b>50,988</b>
<b>Balance as at 31 March 2018</b>		<u><b>8,373,816</b></u>	<u><b>173,133,490</b></u>	<u><b>214,573,666</b></u>	<u><b>396,080,971</b></u>

## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS for the year ended 31<sup>st</sup> March 2018

	Notes	Group 2018 P	2017 P	Scheme 2018 P	2017 P
<b>Cash flows from operating activities</b>					
Cash receipts from members	18.1	703,673,449	733,427,649	703,673,449	733,427,649
Cash receipts from customers	18.2	34,716,984	18,963,876	-	-
Cash paid for claims and other benefits	18.3	(578,036,260)	(553,450,542)	(578,036,260)	(553,450,542)
Cash paid in respect of administrative expenses	18.4	(82,846,845)	(83,387,463)	(81,699,078)	(81,404,119)
<b>Cash generated from operations</b>		<b>77,507,328</b>	<b>115,553,520</b>	43,938,111	<b>98,572,988</b>
Interest paid	4	(4,661,028)	(5,032,294)	(4,661,028)	(5,032,294)
<b>Net cash generated from operations</b>		<b>72,846,300</b>	110,521,226	39,277,083	<b>93,540,694</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	7	(3,691,184)	-	(3,030,149)	-
Interest received on short-term deposits	4	1,049,877	811,025	570,288	537,796
Interest received on inter-company loans	4	1,180,199	1,459,812	1,180,199	1,459,812
Interest received on debenture investment	4	-	-	15,542,268	19,389,798
Investment in available-for-sale assets	10	(30,000,000)	(80,432,120)	(30,000,000)	(80,432,120)
Loan repayments received		4,500,000	-	4,500,000	-
<b>Net cash used in from investing activities</b>		<b>(26,961,108)</b>	(78,161,283)	(11,237,394)	<b>(59,044,714)</b>
<b>Cash flows from financing activities</b>					
Net movement of interest bearing borrowing		(4,921,100)	(4,549,833)	(4,921,100)	(4,549,833)
Net cash used in financing activities		(4,921,100)	(4,549,833)	(4,921,100)	(4,549,833)
Net increase in cash and cash equivalents		<b>40,964,092</b>	27,810,110	23,118,589	<b>29,946,147</b>
Cash and cash equivalents at beginning of the year		<b>61,966,635</b>	34,156,525	55,065,167	<b>25,119,020</b>
Cash and cash equivalents at end of the year	12	<b>102,930,727</b>	61,966,635	78,183,756	<b>55,065,167</b>

## **SIGNIFICANT ACCOUNTING POLICIES for the year ended 31<sup>st</sup> March 2018**

### **1 General information**

Botswana Public Officers' Medical Aid Scheme (the "Scheme") was registered on 31 July 1991 under the Societies Act No 18:01 of 1972 to provide assistance to members of the Scheme and their dependents in defraying expenditure incurred in connection with medical and related services. The Scheme is domiciled in Botswana. The Scheme has 100% stake in BPOMAS Property Holdings (Proprietary) Limited, a limited liability company incorporated in Botswana, which engages in the business of letting out of properties and a 30% stake in Lenmed Health Bokamoso Private Hospital (Proprietary) Limited, a limited liability company incorporated in Botswana, which engages in the provision of private healthcare services. The consolidated annual financial statements comprise the consolidated financial position and results of the Scheme, the subsidiary and associate company (together referred to as the "group").

### **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.

## SIGNIFICANT ACCOUNTING POLICIES for the year ended 31<sup>st</sup> March 2018

### 2.2 Consolidation (continued)

#### 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

## SIGNIFICANT ACCOUNTING POLICIES for the year ended 31<sup>st</sup> March 2018

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.

## SIGNIFICANT ACCOUNTING POLICIES for the year ended 31<sup>st</sup> March 2018

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.



## SIGNIFICANT ACCOUNTING POLICIES for the year ended 31<sup>st</sup> March 2018

### 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.

## SIGNIFICANT ACCOUNTING POLICIES for the year ended 31<sup>st</sup> March 2018

### 2.9 Trade receivables (continued)

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.

## SIGNIFICANT ACCOUNTING POLICIES for the year ended 31<sup>st</sup> March 2018

### 2.12 Claims incurred (continued)

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 or 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.

**SIGNIFICANT ACCOUNTING POLICIES**  
for the year ended 31<sup>st</sup> March 2018

**2.16 Provisions (continued)**

**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 on an operating lease and used as investment property.

## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### NOTES TO THE ABRIDGED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31<sup>st</sup> March 2018

	Notes	Group 2018 P	2017 P	Scheme 2018 P	2017 P
<b>3 Analysis of expenses by nature</b>					
Claims and other member benefits paid		<b>(576,830,093)</b>	(553,501,805)	<b>(576,830,093)</b>	(553,501,805)
Actuarial consultancy fee		<b>(1,034,492)</b>	(927,089)	<b>(1,034,492)</b>	(927,089)
Administration fees		<b>(64,919,514)</b>	(63,416,850)	<b>(64,269,634)</b>	(62,664,632)
AGM Expenses for the year		<b>365,943</b>	(1,524,659)	<b>365,943</b>	(1,524,659)
Aid for AIDS consultancy		<b>(1,268,570)</b>	(1,202,790)	<b>(1,268,570)</b>	(1,202,790)
Asset consultancy fee		<b>(476,032)</b>	(458,378)	<b>(476,032)</b>	(458,378)
Audit fees for the current year		<b>(222,780)</b>	(286,515)	<b>(181,780)</b>	(196,447)
Audit fees - over provision for last year		<b>157,368</b>	-	-	-
Bank charges		<b>(320,539)</b>	(335,120)	<b>(319,904)</b>	(335,120)
Consultancy fees		<b>(495,889)</b>	(978,670)	<b>(485,639)</b>	(727,116)
Depreciation		<b>(3,149,737)</b>	(3,010,843)	-	-
Directors' sitting allowance and other cost		<b>(236,125)</b>	(1,598,455)	<b>(899,750)</b>	(1,106,455)
Fidelity insurance		<b>(270,213)</b>	(262,344)	<b>(270,213)</b>	(262,344)
Insurance cost		<b>(257,675)</b>	(282,663)	-	-
Impairment loss		-	(2,978,235)	-	-
Legal fees		<b>(359,018)</b>	(535,892)	<b>(325,418)</b>	(12,846)
Managed care fees to Administrator		<b>(6,293,686)</b>	(5,112,604)	<b>(6,293,686)</b>	(5,112,604)
Printing and postages		<b>(540,667)</b>	(1,282,280)	<b>(540,667)</b>	(1,282,280)
Promotions and advertising		<b>(486,328)</b>	(1,029,195)	<b>(486,328)</b>	(1,029,195)
Other expenses		<b>(511,216)</b>	(61,271)	-	-
Reversal / (provision) for impairment of trade receivables		<b>1,427,624</b>	3,062,530	<b>1,427,624</b>	3,062,530
Repairs and maintenance		<b>(2,529,015)</b>	(607,957)	-	-
Stationery		<b>(218,567)</b>	(46,374)	<b>(218,567)</b>	(46,374)
Subscriptions		<b>(2,860,982)</b>	(531,688)	<b>(2,860,982)</b>	(531,688)
Valuation fees		<b>(89,138)</b>	(36,400)	-	-
Principal Officer expenses		<b>(3,015,104)</b>	(1,661,382)	<b>(3,015,104)</b>	(1,661,382)
Communication Expenses		<b>(146,128)</b>	(336,717)	<b>(146,128)</b>	(339,012)
		<b>(87,750,480)</b>	85,441,841	<b>(81,299,327)</b>	(76,357,881)
<b>4 Finance income and costs</b>					
<b>Finance income</b>					
Interest income on available-for-sale financial assets		<b>6,392,114</b>	2,751,206	<b>6,392,114</b>	2,751,206
Interest income on loan to Lenmed Health Bokamoso Private Hospital (Proprietary) Limited		<b>1,180,199</b>	1,459,812	<b>1,180,199</b>	1,459,812
Interest income on short-term bank deposits		<b>1,049,877</b>	811,025	<b>570,288</b>	537,796
Interest income on debentures		-	-	<b>15,542,268</b>	19,389,798
		<b>8,622,190</b>	5,022,043	<b>23,684,869</b>	24,138,612
<b>Finance cost</b>					
Interest expense on government loan		<b>(4,661,028)</b>	(5,032,294)	<b>(4,661,028)</b>	(5,032,294)
		<b>(4,661,028)</b>	(5,032,294)	<b>(4,661,028)</b>	(5,032,294)
<b>Finance income - net</b>		<b>3,961,162</b>	(10,251)	<b>19,023,841</b>	19,106,318

## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### NOTES TO THE ABRIDGED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31<sup>st</sup> March 2018

Notes	Group 2018 P	2017 P
<b>5 Income tax credit/(expense)</b>		
Deferred tax credit/ (charge) (Note 14)	4,972,573	(789,857)
Income tax expense	(1,199,637)	-
<b>Total Income tax credit/(expense)</b>	<b>3,772,936</b>	<b>(789,857)</b>
The tax on the group's surplus/(deficit) before taxation differs from the theoretical amount using the basic tax rates as follows:		
Surplus before income tax	<b>52,623,778</b>	96,335,244
Tax calculated at a tax rate of 22% (2017: 22%)	<b>(11,577,231)</b>	(21,193,754)
Expenses not deductible for tax purposes	<b>(1,216,823)</b>	(1,960,024)
(Surplus) /deficit not subject to tax	<b>12,186,547</b>	16,452,576
Effect due to elimination of inter-company transaction	<b>(1,572,581)</b>	4,265,806
Income not subject to tax	<b>4,486,737</b>	506,000
Associate results reported net of tax	<b>1,466,287</b>	1,139,539
<b>Income tax credit/(expense)</b>	<b>3,772,936</b>	<b>(789,857)</b>

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.

	Group 2018 P	2017 P
<b>6 Investment property</b>		
Balance at beginning of the year	272,300,000	270,000,000
(Loss)/gain from fair value adjustments on investment property	<b>(16,300,000)</b>	2,300,000
<b>At end of the year</b>	<b>256,000,000</b>	272,300,000

The investment property comprises of a 50 year leasehold property situated on Plot 4769, Block 1, Mmopane with buildings and structures erected thereon (remaining lease period consist of 40 years).

Revaluations were performed by independent, professionally qualified valuer, Apex Properties (Pty) Limited to determine the fair value of the investment property as at 31<sup>st</sup> March 2018.

At 31<sup>st</sup> March 2018, the Group's valuation of the property was based on a valuation carried out using the income capitalisation method.

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

	Group 2018 P	2017 P
Insurance cost	257,675	282,663
Repairs and maintenance	2,529,015	607,957
Valuation fees	89,138	36,400
	<b>2,875,828</b>	927,020

## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### NOTES TO THE ABRIDGED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31<sup>st</sup> March 2018

Group Year ended 31 <sup>st</sup> March 2018	Plant and machinery P	Furniture and fittings P	Other equipment P	Electrical equipment P	Total P
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#### 7 Property, plant and equipment

Net book amount at beginning of the year	9,855,946	2,690,028	2,127,895	2,696,757	17,370,626
Additions	577,337	2,400,879	683,803	29,165	3,691,184
Impairment	-	-	-	-	-
Depreciation	(1,560,410)	(742,726)	(315,696)	(530,905)	(3,149,737)
<b>Net book amount at end of year</b>	<b>8,872,873</b>	<b>4,348,181</b>	<b>2,496,002</b>	<b>2,195,017</b>	<b>17,912,073</b>

#### As at 31<sup>st</sup> March 2018

Cost	15,767,117	12,541,399	4,487,729	7,526,808	40,323,053
Impairment	(2,064,737)	(241,236)	(362,166)	(310,096)	(2,978,235)
Accumulated depreciation	(4,829,507)	(7,951,982)	(1,629,561)	(5,021,695)	(19,432,745)
<b>Net book amount</b>	<b>8,872,873</b>	<b>4,348,181</b>	<b>2,496,002</b>	<b>2,195,017</b>	<b>17,912,073</b>

#### Year ended 31<sup>st</sup> March 2017

##### Net book amount

at beginning of the year	12,970,142	3,615,764	23,359,069	4,023,990	23,359,704
Additions	-	-	-	-	-
Impairment	(2,064,737)	(241,236)	(362,166)	(310,096)	(2,978,235)
Depreciation	(1,049,460)	(664,518)	(259,746)	(1,037,119)	(3,010,843)
<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>

##### As at 31<sup>st</sup> March 2017

Cost	15,700,473	10,140,520	3,803,927	6,986,949	36,631,869
Impairment	(2,064,737)	(241,236)	(362,166)	(310,096)	(2,978,235)
Accumulated depreciation	(3,779,791)	(7,189,274)	(1,313,865)	(4,000,078)	(16,283,008)
<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>

Scheme Year ended 31 <sup>st</sup> March 2018	Plant and machinery P	Furniture and fittings P	Other equipment P	Electrical equipment P	Total P
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Net book amount at beginning of the year	-	-	-	-	-
Additions	-	2,400,879	683,803	-	3,084,682
Impairment	-	-	-	-	-
Depreciation	-	(33,269)	(21,264)	-	(54,533)
<b>Net book amount at end of year</b>	<b>-</b>	<b>2,367,610</b>	<b>662,539</b>	<b>-</b>	<b>3,030,149</b>

#### As at 31<sup>st</sup> March 2018

Cost	-	2,400,879	683,803	-	3,084,682
Impairment	-	-	-	-	-
Accumulated depreciation	-	(33,269)	(21,264)	-	(54,533)
<b>Net book amount</b>	<b>-</b>	<b>2,367,610</b>	<b>662,539</b>	<b>-</b>	<b>3,030,149</b>

## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### NOTES TO THE ABRIDGED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31<sup>st</sup> March 2018

	Group 2018 P	2017 P	Scheme 2018 P	2017 P
<b>8 Investment in subsidiary</b>				
At beginning of the year	-	-	<b>1,783,000</b>	1,783,000
Investment during the year	-	-	-	-
<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.

	Group 2018 P	2017 P	Scheme 2018 P	2017 P
<b>9 Investment in associate company</b>				
At beginning of the year	<b>15,348,008</b>	10,168,284	<b>15,348,008</b>	10,168,284
Share of profit	<b>6,664,943</b>	5,179,724	<b>6,664,943</b>	5,179,724
<b>At end of the year</b>	<b>22,012,951</b>	<b>15,348,008</b>	<b>22,012,951</b>	<b>15,348,008</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.



## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### NOTES TO THE ABRIDGED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31<sup>st</sup> March 2018

Notes	Group 2018 P	2017 P	Scheme 2018 P	2017 P
<b>10 Available-for-sale financial assets</b>				
10.1 Available-for-sale financial assets: Non-current				
Balance at beginning of the year	<b>20,592,231</b>	21,038,821	<b>197,109,231</b>	197,555,821
Additions	-	-	-	-
Increase/(decrease) in fair value - African Alliance Asset Management balanced portfolio	<b>50,988</b>	(446,590)	<b>50,988</b>	(446,590)
<b>Balance at end of the year</b>	<b>20,643,219</b>	20,592,231	<b>197,160,219</b>	197,109,231
<b>The investments are made up as follows:</b>				
Debentures - BPOMAS Property Holdings (Pty) Limited	-	-	<b>176,517,000</b>	176,517,000
African Alliance Asset Management balanced portfolio	<b>20,643,219</b>	20,592,231	<b>20,643,219</b>	20,592,231
	<b>20,643,219</b>	20,592,231	<b>197,160,219</b>	197,109,231
10.2 Available-for-sale financial assets: Current				
Balance at beginning of the year	<b>148,389,763</b>	65,206,437	<b>148,389,763</b>	65,206,437
Withdrawal of investment	-	-	-	-
Investments made during the year	<b>30,000,000</b>	80,432,120	<b>30,000,000</b>	80,432,120
Interest reinvested	<b>6,234,182</b>	2,751,206	<b>6,234,182</b>	2,751,206
<b>Balance at end of the year</b>	<b>184,623,945</b>	148,389,763	<b>184,623,945</b>	148,389,763
<b>The investments are made up as follows:</b>				
African Alliance Liquidity Fund	<b>184,623,945</b>	148,389,763	<b>184,623,945</b>	148,389,763
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.				
	<b>Group 2018 P</b>	<b>2017 P</b>	<b>Scheme 2018 P</b>	<b>2017 P</b>
Changes in fair value of available -for-sale financial assets	<b>50,988</b>	(446,590)	<b>50,988</b>	(446,590)

## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### NOTES TO THE ABRIDGED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31<sup>st</sup> March 2018

Notes	Group 2018 P	2017 P	Scheme 2018 P	2017 P
<b>11 Trade and other receivables</b>				
Contributions outstanding	5,879,362	16,633,141	5,879,362	16,633,141
Less: Provision for impairment	(2,049,661)	(3,477,285)	(2,049,661)	(3,477,285)
	<b>3,829,701</b>	13,155,856	<b>3,829,701</b>	13,155,856
Receivables from related parties (Note 20 a)	27,847,687	34,459,543	2,910,050	215,792
Prepayments	71,374	122,225	71,325	122,176
Other receivables	2,312,230	524,416	2,097,115	410,891
	<b>34,060,992</b>	48,262,040	<b>8,908,191</b>	13,904,715

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 2018 P	2017 P	Scheme 2018 P	2017 P
Balance at beginning of the year	3,477,285	8,487,709	3,477,285	8,487,709
Provision for impairment (reversal) / charge	(1,427,624)	(5,010,424)	(1,427,624)	(5,010,424)
<b>Balance at end of the year</b>	<b>2,049,661</b>	3,477,285	<b>2,049,661</b>	3,477,285

The ageing of the impaired receivables is as follows:

	Group 2018 P	2017 P	Scheme 2018 P	2017 P
61-90 days	469,434	386,709	469,434	386,709
More than 90 days	1,580,227	3,090,576	1,580,227	3,090,576
	<b>2,049,661</b>	3,477,285	<b>2,049,661</b>	3,477,285

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

	Group 2018 P	2017 P	Scheme 2018 P	2017 P
Trade receivables	3,829,701	13,155,856	3,829,701	13,155,856
Other receivables	30,231,291	35,106,184	5,078,490	748,859
	<b>34,060,992</b>	48,262,040	<b>8,908,191</b>	13,904,715

The fair value of trade and other receivables are as follows:

	Group 2018 P	2017 P	Scheme 2018 P	2017 P
Trade receivables	3,829,701	13,155,856	3,829,701	13,155,856
Other receivables	30,231,291	35,106,184	5,078,490	748,859
	<b>34,060,992</b>	48,262,040	<b>8,908,191</b>	13,904,715

### 12 Cash and cash equivalents

	Group 2018 P	2017 P	Scheme 2018 P	2017 P
Cash at bank	102,930,727	61,966,635	78,183,756	55,065,167

Surplus funds are retained in both the current account and the call accounts. The call accounts 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, the year end cash and cash equivalents comprise the following:

	Group 2018 P	2017 P	Scheme 2018 P	2017 P
Cash at bank	102,930,727	61,966,635	78,183,756	55,065,167

## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### NOTES TO THE ABRIDGED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31<sup>st</sup> March 2018

Notes	Group 2018 P	2017 P	Scheme 2018 P	2017 P
<b>13 Retirement reserve</b>				
Balance at beginning of the year	183,544,493	139,259,572	183,544,493	139,259,572
Transfer from accumulated surplus	31,029,173	44,284,921	31,029,173	44,284,921
<b>Balance at end of the year</b>	<b>214,573,666</b>	183,544,493	<b>214,573,666</b>	183,544,493

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.

#### 14 Deferred income tax

	Group 2018 P	2017 P
Deferred income tax assets	-	22,584
Deferred income tax liabilities	(22,768,991)	(27,764,148)
Deferred income tax liabilities - net	<b>(22,768,991)</b>	(27,741,564)

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

At beginning of the year	(27,741,564)	(26,951,707)
Charged to income statement	4,972,573	(789,857)
At end of the year	<b>(22,768,991)</b>	(27,741,564)

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

Balance at beginning of year	(27,764,148)	(28,266,549)
Movement for the year	4,995,157	502,401
<b>Balance at end of year</b>	<b>(22,768,991)</b>	(27,764,148)

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

Accelerated tax depreciation	(4,744,485)	(3,783,997)
Increases in fair value of investment property	(18,024,506)	(23,957,567)
	<b>(22,768,991)</b>	(27,741,564)

#### Deferred income tax assets

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

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

Tax credits available in respect of tax losses	-	22,584
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## BOTSWANA PUBLIC OFFICERS' MEDICAL AID SCHEME

### NOTES TO THE ABRIDGED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31<sup>st</sup> March 2018

Notes	Group 2018 P	2017 P	Scheme 2018 P	2017 P
<b>15 Borrowings</b>				
Balance at beginning of the year	<b>61,864,531</b>	66,414,364	<b>61,864,531</b>	66,414,364
Interest accrued - Government loan	<b>4,661,028</b>	5,032,294	<b>4,661,028</b>	5,032,294
Loan settlement during the year	<b>(9,582,128)</b>	(9,582,127)	<b>(9,582,128)</b>	(9,582,127)
<b>Balance at end of the year</b>	<b>56,943,431</b>	61,864,531	<b>56,943,431</b>	61,864,531
The loan balance comprises the following:				
Botswana Government loan	<b>55,826,893</b>	60,651,501	<b>55,826,893</b>	60,651,501
Interest accrued - Government loan	<b>1,116,538</b>	1,213,030	<b>1,116,538</b>	1,213,030
<b>Total outstanding loans</b>	<b>56,943,431</b>	61,864,531	<b>56,943,431</b>	61,864,531
Total long-term loans	<b>56,943,431</b>	61,864,532	<b>56,943,431</b>	61,864,532
Borrowings falling due after 1 year	<b>(51,463,061)</b>	(55,826,893)	<b>(51,463,061)</b>	(55,826,893)
<b>Borrowings falling due within 1 year</b>	<b>5,480,370</b>	6,037,639	<b>5,480,370</b>	6,037,639

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 2017: 8%).

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

#### 16 Provision for outstanding claims

Balance at beginning of the year	<b>44,866,894</b>	46,725,626	<b>44,866,894</b>	46,725,626
Increase/(decrease) in claims provision	<b>622,519</b>	(1,858,732)	<b>622,519</b>	(1,858,732)
<b>Balance at end of the year</b>	<b>45,489,413</b>	44,866,894	<b>45,489,413</b>	44,866,894

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

Creditor for claims	<b>774,982</b>	2,603,668	<b>774,982</b>	2,603,668
Administration fees payable	<b>7,161,734</b>	4,886,502	<b>7,161,734</b>	4,886,502
Payables to related parties	<b>3,773,581</b>	3,838,221	-	-
Sundry creditors	<b>5,374,696</b>	4,678,182	<b>4,851,380</b>	3,506,351
	<b>17,084,993</b>	16,006,573	<b>12,788,096</b>	10,996,521

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 ANNUAL CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31<sup>st</sup> March 2018

Notes	Group 2018 P	2017 P	Scheme 2018 P	2017 P
<b>18 Notes to the statement of cash flows</b>				
<b>18.1 Cash receipts from members</b>				
Opening contribution receivables	16,633,141	57,125,785	16,633,141	57,125,785
Contributions for the year	692,919,670	692,935,005	692,919,670	692,935,005
Closing contribution receivables	(5,879,362)	(16,633,141)	(5,879,362)	(16,633,141)
	<b>703,673,449</b>	<b>733,427,649</b>	<b>703,673,449</b>	<b>733,427,649</b>
<b>18.2 Cash receipts from customers</b>				
Opening trade receivables	34,243,751	21,397,261	-	-
Rental income for the year	28,320,920	31,810,366	-	-
Closing trade receivables	(27,847,687)	(34,243,751)	-	-
	<b>34,716,984</b>	<b>18,963,876</b>	<b>-</b>	<b>-</b>
<b>18.3 Cash paid for claims and other benefits</b>				
Opening creditor for claims	(2,603,668)	(693,674)	(2,603,668)	(693,674)
Claims expenses	(563,728,056)	(543,121,963)	(563,728,056)	(543,121,963)
Other member benefits	(12,479,518)	(12,238,573)	(12,479,518)	(12,238,573)
Closing creditor for claims	774,982	2,603,668	774,982	2,603,668
	<b>(578,036,260)</b>	<b>(553,450,542)</b>	<b>(578,036,260)</b>	<b>(553,450,542)</b>
<b>18.4 Cash paid in respect of administrative expenses</b>				
Opening other payables	(13,402,905)	(17,794,513)	(8,392,853)	(11,943,234)
Opening other receivable	862,433	3,265,719	748,859	3,054,946
Administrative expenses	(87,750,480)	(85,441,841)	(81,299,327)	(76,357,881)
Depreciation	3,149,737	3,010,843	54,533	-
Impaired property, plant and equipment	-	2,978,235	-	-
Other operating income	1,637,656	3,064,046	1,579,312	1,208,480
Closing other receivables	(2,543,349)	(862,433)	(5,078,490)	(748,859)
Closing other payables	16,627,687	13,402,905	12,116,512	8,392,853
Movement in provision for doubtful debts	(1,427,624)	(5,010,424)	(1,427,624)	(5,010,424)
	<b>(82,846,845)</b>	<b>(83,387,463)</b>	<b>(81,699,078)</b>	<b>(81,404,119)</b>



**BOTSWANA PUBLIC OFFICERS'  
MEDICAL AID SCHEME**

*Your health is our concern*



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