

# Annual Report 2010



**BOTSWANA PUBLIC OFFICERS'  
MEDICAL AID SCHEME**

*Your health is our concern!*



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BOTSWANA PUBLIC OFFICERS'  
MEDICAL AID SCHEME

*Your health is our concern!*



Full member  
of the  
International  
federation of  
health plans

Administered by Associated Fund Administrators Botswana (Pty) Ltd

## PROXY FORM

I, \_\_\_\_\_ with  
(NAME IN BLOCK LETTERS)

Membership No: \_\_\_\_\_ being a  
member of the **Botswana Public Officers' Medical Aid Scheme**, hereby appoint,

\_\_\_\_\_  
\_\_\_\_\_  
Or failing him, the Chairman of the Management Committee, or failing him, the Chairman of the meeting as my proxy to vote for me, and on my behalf, at the Member's Annual General Meeting (AGM) to be held on Friday 30 July 2010, and at any adjournment thereof.

Date : \_\_\_\_\_

Signature : \_\_\_\_\_

- \*\*\*
- 1. A proxy nomination shall only be given to a member of the Management Committee, or a member of the Scheme.**
  - 2. The instrument appointing a proxy must be deposited at the office of the Administrators of the Scheme; at least 24 hours before the time for holding the meeting at which the person named in the instrument proposes to vote.**

(Annual General Meeting 2010)



# Agenda

IN TERMS OF CLAUSE 33.1 OF THE BPOMAS RULES , NOTICE IS HEREBY GIVEN THAT THE 2010 ANNUAL GENERAL MEETING OF MEMBERS WILL BE HELD AT GABORONE, FAIRGROUNDS HOLDINGS, ANNEX HALL, ON 30 JULY 2010 AT 14:00

1. NOTICE AND CONSTITUTION OF THE MEETING
2. APOLOGIES FOR NON-ATTENDANCE
3. CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING (AGM) HELD ON 31 JULY 2009
4. MATTERS ARISING FROM THE 2009 ANNUAL GENERAL MEETING (AGM) MINUTES
5. RECEIPT AND ADOPTION OF THE MANAGEMENT COMMITTEE REPORT FOR THE YEAR ENDED 31 MARCH 2010
6. RECEIPT AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
7. APPOINTMENT OF EXTERNAL AUDITORS FOR THE FINANCIAL YEAR 2010/11
8. GENERAL
9. DATE OF THE NEXT MEETING

Per: ROSE TATEDI – AFA BOTSWANA (PTY) LTD

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, at least 24 hours, prior to the meeting.

# Management Committee



**K C S Malefho**  
(Chairman)  
Ministry of Health



**I P Mompoti**  
Directorate of Public Service  
Management



**N W Senegelo**  
Ministry of Finance and  
Development Planning



**A N Kiberu**  
Botswana Public Employees'  
Union



**T J Moabi**  
Department of Prisons and  
Rehabilitation



**I G Bagopi**  
Botswana Police Service



**K Selebatso**  
Ministry of Labour and  
Home Affairs



**Colonel M R Gaborone**  
Botswana Defence Force



**V B Mogapi**  
Botswana Teachers' Union



**P Mongwaketse**  
Department of Local  
Government Service  
Management



**E M Botsalano**  
National Amalgamated  
Local and Central  
Government and Parastatal  
Manual Workers' Union



**M Setshego**  
Botswana Land Boards and  
Local Authorities Workers'  
Union



**N Kahiya**  
Ministry of Health  
(Resigned 31 December  
2009)



**R Sigwele**  
Ministry of Labour and  
Home Affairs  
(Resigned 31 December  
2009)



## *Alternate Members of the Management Committee*



**A A Dintwa**  
Directorate of Public  
Service Management



**T Bakoko**  
Botswana Public Employees'  
Union



**D Marope**  
Department of Prisons  
and Rehabilitation



**G Motswaledi**  
Botswana Teachers' Union



**M K Gondo**  
Botswana Police Service



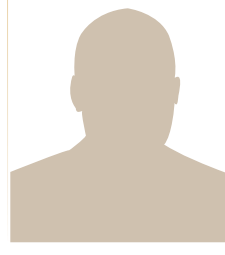
**T Sebele**  
Department of Local  
Government Service  
Management



**T Modise**  
Botswana Land Boards and  
Local Authorities Workers'  
Union



**N D Joel**  
National Amalgamated  
Local and Central  
Government and Parastatal  
Manual Workers' Union



**O Magwaneng**  
Ministry of Labour and  
Home Affairs

# Minutes Of The Annual General Meeting of Members

Held on Friday 31 July 2009, at The Maharaja Conference Centre, at 14:00.

## 1. PRESENT:

N Kahiya	-	Ministry of Health (Chairman)
A N Kiberu	-	Botswana Public Employees' Union
T Bakoko	-	Botswana Public Employees' Union (Alternate)
M K Gondo	-	Botswana Police Service (Alternate)
M D Setshego	-	Botswana Land Boards and Local Authorities Workers' Union
V B Mogapi	-	Botswana Teachers' Union
M R Gaborone	-	Botswana Defence Force
N D Joel	-	National Amalgamated Local and Central Government and Parastatal Manual Workers' Union (Alternate)
N W Senegelo	-	Ministry of Finance & Development Planning
T Sebele	-	Department of Local Government Service Management (Alternate)
I Mompati	-	Directorate of Public Service Management

## 2. IN ATTENDANCE:

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

K A Ebineng  
RT Tatedi  
D Thela  
D Mongudi  
E Shamakumba  
M Matome  
M Monageng  
T Lenong  
T Kwerepe  
G Tebape

## 2.2. BY INVITATION

### 2.2.1. EXTERNAL AUDITORS

M Sambasivan-George - KPMG

### 2.2.2. SCHEME ACTUARIES

B Olajumoke – Alexander Forbes  
Financial Services

### 2.2.3. THE JENUS GROUP

A Smart

## 3. OPENING PRAYER

The meeting was led in prayer by Mrs Y W Tatedi.

## 4. NOTICE AND CONSTITUTION OF THE MEETING

The Chairman announced that with a total of 90 members present and 585 proxies, the meeting was duly constituted.

The notice of the meeting having been circulated was taken as read and approved; following a proposal by Mr M Magola, seconded by Mr D Taolo.

## 5. APOLOGIES FOR NON-ATTENDANCE

Apologies for non-attendance were received from all the Management Committee members who were not present, and a number amongst the general membership.

## 6. CHAIRMAN'S OPENING REMARKS

The Chairman welcomed all members present, and thereafter, introduced the Management Committee, Administrators, external auditors (KPMG) and the Scheme actuaries (Alexander Forbes).

He stated that the purpose of the meeting was outlined in the agenda, which had been circulated to the members before the meeting.

## 7. CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING (AGM) HELD ON 25 JULY 2008

The following correction was made to the minutes:

**Page 13, Minute 15.1:** Under the heading 'Response': to correct the spelling of "Ms Thato Molefhi" to read as "Ms Thato Molefi".

Subject to the correction above, the minutes were accepted as a true record of the proceedings and were passed for the Chairman's signature, following a proposal by **Mrs E Mathe**, seconded by **Mrs Y W Tatedi**.

## 8. MATTERS ARISING FROM THE MINUTES

### 8.1. Inclusion of Pensioners' representation in the Management Committee: Refer to Minute 8.6

- a. Members were informed that feedback had been received from the Directorate of Public Service Management (DPSM), to whom the matter had been referred for advice. DPSM had advised that the matter was likely to take longer to resolve, due to the complexity of the request and the envisaged consultative process involving Cabinet.
- b. Members were advised that, the above notwithstanding and in view of the subsequent development of the BPOMAS Strategic Plan in November 2008, the Committee had acknowledged

the need to establish a criteria for the appointment of the Management Committee based on qualifications, skills and competencies, rather than office appointments through the various Government Ministries, Unions and Staff Associations.

- c. In conclusion, the members were assured that the issue of Pensioners' representation on the Management Committee would now be addressed as part of the Rules Review; planned to commence in early 2010. The Rules Review would also account for other issues which emanated from the Corporate Strategy for BPOMAS, e.g. benefit limits.

**ACTION:** Management Committee

### 8.2. Support by Mr Taolo for the inclusion of Pensioners' representation in the Management Committee: Refer to Minute 9.1

An update had been provided in terms of the report to the members at item 8.1 above.

### 8.3. Virement of funds: Refer to Minute 13.3

Members were advised that the issue of virement of funds was a matter of the benefit limits and would be considered by the Management Committee as part of the Rules Review process, to commence in early 2010.

**ACTION:** Management Committee

**8.4. Inclusion of the number and reasons for termination in the AGM Report: Refer to Minute 13.10**

Members were informed that an update had not been included as part of the 2008/09 Report to the members, as circulated. However, the information would be made available as part of the 2009/10 AGM report and going forward.

**ACTION:** Management Committee

In the interim, members were provided with the following member termination statistics:

- (i) Terminated (re-applied and awaiting a two (2)-year maturity period for reinstatement) –**380**
- (ii) Left employer –**349**
- (iii) Deceased –**331**
- (iv) Married and joined spouse as dependant – **265**
- (v) Premiums not paid – terminated per Rule 8.5 –**78**
- (vi) Temporary absence due to work attachments/ schooling outside the country – **31**
- (vii) Duplicate (members who applied twice giving different/erroneous ID (Omang) numbers –**17**
- (viii) Overseas (membership suspended due to school obligations abroad) –**11**
- (ix) Financial Constraints (members who could no longer afford contributions) – **6**

The total number of members terminated in 2008/09 stood at **1468**.

**8.5. Invitation of Health Sector Professionals to AGMs: Refer to Minute 15.2**

Members were advised that due to time constraints at an AGM; any issue requiring healthcare professionals' input and/or advice, could perhaps be addressed as part of the continuing education of members.

**8.6. Production and sale of BPOMAS merchandise to members: Refer to Minute 15.4**

Members were informed that merchandise had since been produced and was available for purchase outside the AGM hall.

**8.7. Update on the Bokamoso Private Hospital Project tariffs and business model: Refer to Minute 15.5**

Members were informed that the Bokamoso Private Hospital Board of Trustees were yet to consider and finalise the tariffs and business model for the Hospital. Feedback would be provided, as soon as it was available.

**ACTION:** AFA

**8.8. Comments on the Matters Arising Report**

**8.8.1 Mrs E Mathe**

- a) With particular reference to the matter regarding the inclusion of Pensioners' representation in the Management Committee, the member expressed alarm at the length of time (over 12 months) it had taken for the Management Committee to consult on the matter. She cautioned that the Management Committee should be seen to provide informed and timely responses to issues of concern by members.

- b) The member further enquired on when the benefit limits would be reviewed, as this had not been done over a long period of time. She shared her past experience regarding an operation she underwent which cost more than the annual limit.

**Response**

- a) The Management Committee and Administrators took note of Mrs Mathe's first comment regarding delayed action and/or response by the Management Committee, and assured the members that the Committee did and would continue to do everything in its power to respond timely to members' concerns.
- b) In response to the question regarding inadequate benefits, the Administrators advised the members that the issue would be addressed by the Scheme actuaries, Alexander Forbes, in their presentation following the conclusion of the AGM agenda items. Members were further informed that what would come out of the presentation and/or advice by the actuaries, would inform the Rules Review process expected to commence in early 2010.

**8.8.2 Mr Donald T Mokgwe**

The member expressed concern on the non-acceptance of virement of funds. He further enquired into the reason behind the appointment of auditors at the present meeting, as his understanding from previous meetings was that the auditors had been appointed for a contract period of three (3) years.

**Response**

The Administrators noted the members' concern relating to virement of funds, and reiterated that the matter would be considered by the Management Committee as part of the Rules Review process, to be undertaken in early 2010.

Regarding the appointment of external auditors, the Administrators explained that the agenda of the Annual General Meeting was standard, as stipulated in the Scheme Rules. The annual appointment of the external auditors was a matter of compliance, notwithstanding the length of the contract period awarded.

**8.8.3 Mr Coangae**

The member expressed concern at having recently been requested to pay a top-up amount for prescription medicine at a pharmacy. He had been informed by the pharmacy that the Scheme could only cover a portion of the cost of medicine and/or what had been charged.

**Response**

The Administrators advised the member that further insight into the matter would be provided as part of a presentation by the consultants, Jenus Group, which would follow at the conclusion of the AGM agenda.

**9. RECEIPT AND ADOPTION OF THE MANAGEMENT COMMITTEE REPORT FOR THE YEAR ENDED 31 MARCH 2009**

**9.1. General Overview**

- a) The Management Committee reported that the Scheme performed satisfactorily, from both an operational and financial perspectives, during the year ended 31 March 2009.
- b) The solvency margin for the Scheme stood at **171.6%** compared to **163%** reported for the previous year, representing an **8.3%** improvement.
- c) The Scheme performed better than in the previous year as it recorded a surplus of **P82 111 874** compared to

**P74 662 743** reported for the year ended 31 March 2008. The increase in the surplus was, among others, due to the growth in membership, and the **4%** premium increase effected on 01 April 2008.

- d) The Scheme reported the highest ever membership growth of **9.9%**, in the past six (6) years. The comparative rate for the year ended 31 March 2008 was **4.13%**
- e) The Management Committee reported a positive response from the members regarding cost control initiatives. The Scheme recorded a relatively lower (**8.5%**) increase in claims costs during the year under review. This figure was favourable given that in the previous year, an increase of **11.9%** was reported.
- f) Members were advised to note that the Bokamoso Private Hospital was in the process of recruiting staff and that the Hospital was expected to open for patients in late 2009.
- g) Overall, the Scheme had a relatively good year.

#### 9.2. Discussion of the Committee Report and Responses thereto by the Management Committee and the Administrators

The Management Committee highlighted the following corrections on the annual report; and thereafter opened the floor for comments.

**Page 18, Analysis of Benefits Utilisation/Claims Costs Graph:** labeling of the first two bars to be corrected to only read as "Medicines".

**Page 21, under 'Bokamoso Private Hospital' first paragraph:** second sentence should read, "The Project entails construction of a 300 bed hospital - commencing with 200 hospital beds, a 30 bed Rehabilitation Centre and 102 housing units."

Following the above corrections, the Chairman invited questions and comments from members.

#### a) Mr Coangae

The member drew the attention of the Management Committee and Administrators to page 24 of the Report. He enquired why the member education campaigns targeted certain localities only and not all locations around the country.

#### Response

The Administrators confirmed that the locations listed in the Report were covered in the year 2008/09, and that other locations around the country had previously been covered whilst others would be targeted in subsequent years; subject to availability of funds.

**ACTION:** AFA

#### b) Mr S A Chiliwa

The member enquired on the current status of nurses who had commenced training at the Bokamoso Private Hospital on 01 June 2009, as per page 21 of the Report.

#### Response

The Administrators informed the members that the training program for nurses was on schedule, having commenced on 01 June 2009. There were at the time 25 nurses being trained against a target of 30. They (AFA) added that, the plan was to recruit over 110 nurses for the Hospital, the majority of whom would be Botswana citizens.

c) **Mrs E Mathe**

The member commended the Management Committee for a good report and their efforts towards the development of a Strategic Plan for the Scheme. She opined that such a Plan was crucial if the Scheme was to grow and remain sustainable, particularly in the aftermath of the recent economic crisis.

**Response**

The Management Committee thanked the member for her encouraging comment.

d) **Mr Maxwell Johannes**

The member asked whether the opening of the Bokamoso Private Hospital would necessitate the transfer of all patients, who were Scheme members and were being treated at the Gaborone Private Hospital (GPH) and/or were being managed at other facilities, to Bokamoso.

In addition, the member referred to the 10-40% discount at Gym Active, listed under the Value-Add Partnership Programme (VAPP) on page 23 of the Report. He enquired on the qualification criteria for the highest discount, given the range provided.

The member concluded by commending the Management Committee for the development of the Bokamoso Private Hospital and expressed pride in its name, as it was chosen by members and represented the bright future of the Scheme, its members and the nation at large.

**Response**

(i) The Administrators responded by informing members that the opening of the Bokamoso Private Hospital would **not** make it mandatory for Scheme members to transfer from the GPH and/or any other service provider. Members would retain their right to choose the facility they would like to use.

In addition, the Administrators highlighted that, the bottom line, in enabling that choice, would be a determination of whether or not Bokamoso was competitive. Members were assured that the business model for the Hospital had assumed that approach.

(ii) Responding to the question regarding the level of discounts attainable at Gym Active and/or any other VAPP partner, the Administrators stated that the level of discount awarded was dependent on the length of contract and/or the value of goods/services being procured at the respective VAPP partner.

(iii) Regarding the development of the Bokamoso Private Hospital, the Chairman thanked the member for his positive comments.

e) **Mr Kooreng P Ngakane**

The member enquired whether any individual General Practitioner and/or the GPH, as the case maybe, would be allowed to refer their patients to the Bokamoso Private Hospital for further care.

**Response**

The Administrators stated that it should be possible to do so, subject to applicable protocols.

f) **Mr D Gabanakgosi**

The member cautioned members not to be confused about choice, in terms of seeking service, as they (members) had previously decried the quality of service at alternative facilities, prompting the decision to develop the Bokamoso Private Hospital.

**Response**

The Chairman stated that the above notwithstanding, the right of a member to choose a service provider remained unfettered. Ultimately, the good service and efficiencies expected at Bokamoso should influence the choice by members.

g) **Mr M G Bakwena**

The member shared an incident he recently experienced at a pharmacy, where he was informed by the Pharmacist that his medical aid insisted that he be given different medication from what was prescribed by his doctor. The member expressed concern at this and sought clarification on the matter.

**Response**

The Chairman noted the member's concern and requested that he await a presentation by Jenus Group as it would shed more light on the issue. However, the Chairman added that in his personal view, the only person equipped to prescribe medicines was one's personal doctor, as he/she would have full knowledge of the patient's history and condition to make an informed decision; not the Scheme, as it was alleged.

h) **Ms C Hirschfeld**

The member enquired on the Scheme's differentiation of 'cosmetic dentistry' and 'non-cosmetic dentistry', and expressed the view that she considered the Scheme's current exclusions of cosmetic dentistry too restrictive.

**Response**

The Administrators responded by advising the member to direct her query through a more appropriate channel; i.e. by writing formally to the Administrators, who would be able to provide further information on the matter.

i) **Ms O Mokgatle**

The member asked whether the Bokamoso Private Hospital would function as a referral hospital only, or whether it would also provide primary health-care services.

**Response**

The Administrators informed the members that the Bokamoso Private Hospital would not only function as a referral hospital, but would also be offering primary, secondary and tertiary services. In addition, members were reminded of the In-Town facility to be established in Gaborone, to facilitate referrals to the main hospital only when the need arose.

j) **Ms M H David**

- (i) The member referred to the Value-Add Partnership Programme (VAPP) as illustrated on page 23 of the Report, and enquired if the level of discounts and/or number of partners could be increased to cover the whole country.



- (ii) The member also enquired if children over the age of 21 years but unemployed, could be recognized as beneficiaries under the Scheme.

**Response**

The Administrators stated that the composition of partners for the Value-Add Partnership Programme was continuously under review. In addition, members were implored to also suggest any partners they might want the Scheme to include under the VAPP.

**ACTION: AFA**

With regard to the second question, the Administrators advised the member that the Scheme Rules provided for coverage of children still studying, up to the age of 25; to be enrolled as special dependants, subject to approval by the Management Committee.

- k) **Mrs B Monepe**

The member enquired whether a member whose grandchild was in their care, due to the mother's unemployment status, could be registered as a dependant under the Scheme Rules.

**Response**

The Administrators informed the member that the child could be registered as a dependant, only to the extent envisaged in terms of the Scheme Rules, e.g. that the child is legally adopted.

The Administrators informed the meeting that the child would qualify as a child, as envisaged in terms of the Scheme Rules.

- l) **Ms B Mase**

The member decried the limited dental benefit and requested the Management Committee to consider increasing benefit limit for this category. The member further highlighted a concern regarding some pharmacies which refused to accept BPOMAS membership cards.

**Response**

The Chairman highlighted at this stage that the primary objective of an AGM, was to facilitate a high level consultation between members and the Management Committee. He added that, day-to-day operational issues should be referred to the Administrators and the Management Committee, on a regular basis and should not be brought to the AGM. Members were advised to contact the Administrators for any clinical concerns they may have.

- m) **Mrs K Matsetse**

The member enquired if patient medical records could be transferred to the Bokamoso Private Hospital should the member decide to opt for transfer from other health facilities such as the GPH.

**Response**

The Administrators responded in the affirmative, assuring the members that full medical records would, subject to a request by the member, be transferrable, should a patient opt to receive services at Bokamoso.

n) **Mr DT Mokgwe**

The member decried the low registration numbers in respect of the Doctor/Patient Registration Process. He advised the Administrators to use more efficient means of communicating with members, i.e. sms messaging regarding issues such as patient referrals, in order to increase the number of members complying with the requirement(s). The member also enquired on the perceptions in the market that AFA and/or the Scheme, had instructed doctors not to attend to members unless they had been registered.

**Response**

The Administrators thanked the member for his input, and confirmed that they would look into alternative methods of communicating with members.

**ACTION: AFA**

The Administrators advised members that there had been no communication to any medical practitioner from either AFA or BPOMAS that members should only be attended to once they had been registered. Members were advised that the prerogative to choose a primary doctor was that of the member and incidentally, where a member was dissatisfied with any such doctor, the member could change to another doctor; subject to notice to the Administrators for proper record keeping.

o) **Ms C Hirschfeld**

The member, making reference to the graph appearing on page 18 of the Report, voiced concern at the level of costs incurred on medicines; and enquired if the Administrators had considered any methods of curbing the increase in costs.

The member further queried the criteria used in selecting partners for VAPP, as residents of some areas e.g. Lobatse, did not benefit from the diversity of partners available elsewhere.

The member further enquired whether the option of using South African service providers would continue to be available to the members.

**Response**

Regarding the high medicine costs, the Administrators assured members that methods to curb the rising costs were currently being employed with the assistance of the Jenus Group; who would be making a presentation to the members on the subject, at the close of the proceedings.

The Administrators reiterated that the VAPP Programme was under constant review, and encouraged members to submit suggestions of any potential partner to the Administrators.

Regarding the issue of choice, the Administrators highlighted that members would retain the right to choose where they want to receive service, subject however, to benefit limits and applicable tariffs.

p) **Mr F Omonde**

The member stated that poor administration had led to some members being denied the opportunity to benefit from the co-payment exemption process, as exemption letters were dispatched late.

**Response**

The Administrators noted the member's concern and further advised members who were entitled to the

co-payment exemption, to submit refund requests to them timely so that these could be processed. In addition, members were informed that exemption letters were automatically generated by the Administrators' IT System and sent to the members immediately a member qualified.

The Administrators highlighted that the delay could perhaps be a function of internal processing at the Post Office, which was an external factor, beyond the control of the Scheme.

Members were implored to rely on the Scheme Rules, to be able to fully access the benefits funded by the Scheme.

With no further questions and/or comments from members, the Chairman moved for the 2008/09 Annual Report to be adopted. The Report was subsequently adopted, following a proposal by **Mr D Gabaanakgosi**, seconded by **Mrs YW Tatedi**.

## **10. RECEIPT AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**

The Administrators presented the Audited Financial Statements as follows:

### **10.1. INCOME STATEMENT**

#### **a. Contribution Income**

Total contribution income for the Scheme stood at **P 336 068 464** as at 31 March 2009. This represented a growth of **9.6%** when compared to the **P306 667 150** reported in the previous year. The growth in income was due to membership growth (**9.9%**) and the premium increase of **4%**, effected on 01 April 2008.

#### **b. Total Expenditure**

During the year under review, the Scheme's total expenditure increased by **7.6%** from **P282 043 713** in the previous year to **P303 610 623**.

The increase, a bulk of which comprised of claims costs, was considered favourable, when measured against the average inflation rate of **13.3%** for the period.

#### **c. Benefits/Claims Costs**

The benefit-utilisation or claims costs for the Scheme stood at **P255 506 702** (excluding provision for outstanding claims) as at 31 March 2009. This represented an increase of **8.5%** when compared to the previous year. The increase in costs was, among others, due to the growth in membership and the **6%** tariff increase awarded to the service providers during the year.

#### **d. Investment Income**

Investment income decreased from **P50 039 306** in the previous year, to **P49 654 033** during the year under review. The decrease (**P385 273**) was mainly due to the reduction in interest on bank balances.

#### **e. Net Surplus**

The Scheme recorded a net surplus of **P82 111 874** as at 31 March 2009. This represented a growth of **10%** when compared to the **P74 662 743** reported in the previous year.

## 10.2. THE BALANCE SHEET

### a. Total Assets

Total assets of the Scheme grew by **14.5%** from **P536 477 628** in the previous year to **P614 087 910** during the year under review. The growth was due to increased investment in the Botswana Building Society (BBS) shares and the Bokamoso Private Hospital.

### b. Total Reserves

Total reserves of the Scheme stood at **P576 706 295** as at 31 March 2009. This represented a growth of **15.1%** when compared to the **P500 949 933** reported for the year ended 31 March 2008. The increase in reserves was mainly due to the growth in accumulated surplus and the retirement reserve.

### c. Solvency Margin

The Scheme's solvency margin for the year under review was **171.6%**; representing an improvement of **8.3%** when compared to the position as at 31 March 2008.

## 10.3. COMMENTS ON THE DRAFT AUDITED FINANCIAL STATEMENTS

Following the presentation of the Audited Financial Statements by the Administrators, questions and comments were invited from members.

### a. Mr M Lesole

The member enquired if the Scheme provided for funeral benefits, and if so, at what rates.

## Response

Members were advised that the Scheme's funeral benefit limits were:

### High Benefit Option

In the event of a death of:

The Member : P4000

The Member's spouse : P4000

### Children:

Aged 16 years and older, but less than 21 : P2500

Aged 6 years and older, but less than 16 : P1500

Aged less than 6 years, including still born : P900

### Standard Benefit Option

In the event of a death of:

The Member : P2000

The Member's spouse : P2000

### Children:

Aged 16 years and older, but less than 21 : P1500

Aged 6 years and older, but less than 16 : P900

Aged less than 6 years, including still born : P600

### b. Mr L Lesetedi

The member requested rationalization of the increase in AGM expenses, as highlighted on page 38 of the Report.

## Response

The Administrators attributed the increase in AGM expenses to increased membership and inflation.

Following considerable deliberations, the Audited Financial Statements for the year ended 31 March 2009 were adopted, following a proposal by **Mr D Gabanakgosi**, seconded by **Mr Taolo**.

### **11. APPOINTMENT OF EXTERNAL AUDITORS FOR THE FINANCIAL YEAR 2009/10**

11.1. The Chairman presented the recommendation of the Management Committee to appoint KPMG as the Scheme external auditors for the year 2009/10. The Administrators highlighted that the three (3) year contract between the Scheme and KPMG was due to expire in 2010.

Members confirmed the appointment of KPMG as the Scheme external auditors for the year 2009/10; following a proposal by **Mrs E Mathe**, seconded by **Mr M Lesole**.

### **12. GENERAL**

On behalf of the Management Committee and Administrators, the Chairman thanked members present, for attending and participating in the AGM deliberations. Members were invited to stay on following the conclusion of the Annual General Meeting agenda, for presentations by the Scheme actuaries, Alexander Forbes, and the Jenu Group.

### **13. DATE OF NEXT MEETING**

The next AGM would be held at the end of July 2010.

In the absence of any further business, the meeting adjourned at **18:03**.



# Report to the Members For The Year ended 31 March 2010

On behalf of the Management Committee of the Scheme, I am pleased to present the 20th Annual Report to the members. The report covers the financial and operational results of the Scheme, for the year ended 31 March 2010; as well as other key developments and activities that were undertaken during the year.

## GENERAL REVIEW

The Scheme performed relatively well from a financial and operational perspective, during the year under review.

The liquidity position of the Scheme remained solid, with the solvency margin at **171.9%**, compared to **171.6%** in the previous year. The solvency margin was once again significantly higher than the benchmark of **25%**. The latter is a statutory requirement for medical aid schemes in South Africa.

In terms of the income statement, the Scheme recorded a net surplus of **P66 554 430** during the year under review. This represents a reduction of **P15 557 444** when compared to the **P82 111 874** reported in the previous year.

The members continued during the year, to utilise their benefits. The total amount paid towards this utilisation is **P286 666 787**; which represents a **12.2%** increase when compared to the previous year's figure of **P255 506 702**.

The membership of the Scheme grew at a lower rate of **5.3%** compared to the **9.9%** growth recorded in the previous year. Whilst the **5.3%** growth is a fairly good growth, it remains the Management Committee's desire and commitment to grow the membership at a much higher rate than the **5.3%**.

The year under review witnessed the opening of the Bokamoso Private Hospital in January 2010. The hospital, which is a joint development with the Pula Medical Aid Fund Trust (PULA), is a state-of-the-art facility that can be accessed by anyone, be it a member of BPOMAS, PULA, other schemes

or the public at large. However, members of the Scheme are to note that they still have the choice to decide on which hospital facility to use!

Overall, the financial year 2009/10 was relatively a good year for the Scheme from both a financial and an operational perspective. The Scheme managed to meet its operational object of assisting its members defray expenses they and their dependants incurred on healthcare. The Scheme also continued to maintain a healthy financial position, to give its members the peace of mind they need.

## FINANCIAL RESULTS FOR THE YEAR

Below is a summary of the audited financial statements for the year ended 31 March 2010.

### INCOME STATEMENT

#### a) Contribution Income

Total contribution income for the Scheme stood at **P375 206 343** as at 31 March 2010. This represents growth of **11.6%** when compared to the **P336 068 464** reported in the previous year. The growth in income was due to the **4%** premium increase effected on 01 April 2009 and the membership growth (**5.3%**) recorded during the year under review.

#### b) Total Expenditure

Total expenditure stood at **P352 405 764** as at 31 March 2010, compared to **P303 610 623** in the previous year. This represents an increase of **16.1%**. The increase is quite significant, relative to the average inflation of **6.7%** reported for the same period.

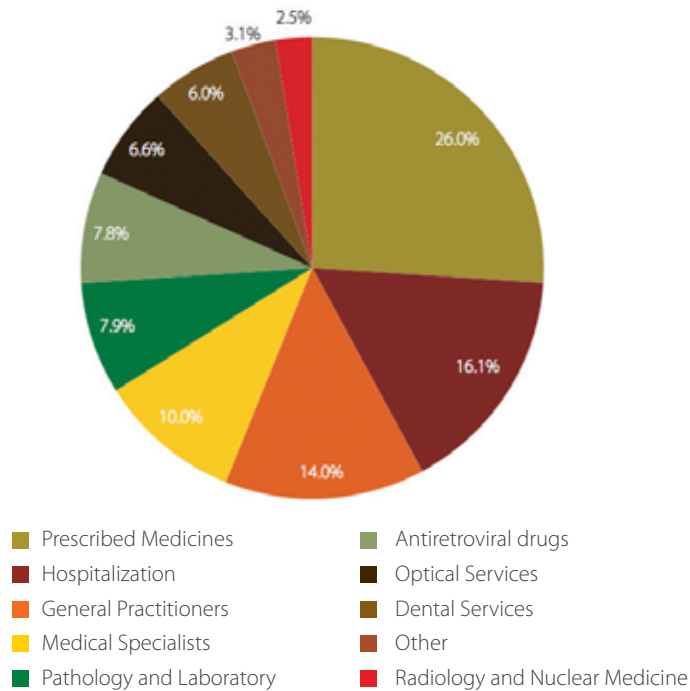
The key elements of the expenses that registered significant growth and contributed significantly to the increase in total expenditure are the claims costs and administration expenses.

c) **Benefits/Claims Costs**

The benefit utilisation or claims costs for the Scheme stood at **P286 666 787** during the year under review. This represents an increase of **12.2%** when compared to the **P255 506 702** reported in the previous year. The increase was, among others, due to increased utilisation from both existing and new members; as well as the **8%** tariff increase awarded to the service providers during the year under review.

Figure 1 below gives the percentage (%) contribution of each of the categories of service, to the overall claims expenditure incurred during the year ended 31 March 2010.

Figure 1: Distribution of Claims Costs per Category of Service



It is evident from the above graph that the top four (4) cost drivers during the year under review were:

- Prescribed Medicines - 26.0%
- Hospitalisation - 16.1%
- General Practitioners - 14.0%
- Medical Specialists - 10.0%

d) **Investment Income**

Investment income decreased from **P49 654 033** in the previous year to **P43 737 071** during the year under review. The reduction was mainly due to the reduction in interest on bank balances. The Scheme's bank balances decreased due to the withdrawal of funds to finance the Scheme's investment portion in the Bokamoso Private Hospital. The other factor that contributed to the decrease was the reduction in interest rates.

e) **Net Surplus**

The Scheme recorded a net surplus of **P66 554 430** during the year under review. This represents a reduction of **P15 557 444** or **18.9%** when compared to the **P82 111 874** reported in the previous year. The reduction was mainly due to increased costs and reduction in investment income.

**BALANCE SHEET**

a) **Total Assets**

Total assets for the Scheme stood at **P693 754 494** as at 31 March 2010. This represents growth of **13%** when compared with **P614 087 910** reported in the previous year. The growth was mainly due to the equity investment and loan advanced to the Bokamoso Private Hospital.



b) **Current Liabilities**

The Scheme's current liabilities stood at **P48 724 435** during the year under review. This represents growth of **30.3%** when compared to the **P37 381 615** reported in the previous year. The growth was mainly due to the accounts payables, in particular to the Administrators, AFA.

c) **Total Reserves**

The reserves for the Scheme stood at **P645 030 059** as at 31 March 2010. This represents growth of **11.8%** when compared to the **P576 706 295** reported for the year ended 31 March 2009. The growth in reserves was mainly due to the growth in the accumulated surplus and the retirement reserve.

**MEMBERSHIP**

The Scheme had a total of **69 029** principal members as at 31 March 2010. This represents growth of **5.3%** when compared with the **65 580** reported in the previous year. Total lives covered (i.e. principal members and their dependants) increased by **5%** from **158 353** in the previous year to **166 267** during the year under review.

Table 1 below shows the membership breakdown, between the two (2) benefit options, being High and Standard. The figures for the previous year are provided for comparison purposes.

Table 1

Benefit Option	Principal members 31 March 2009	Beneficiaries* 31 March 2009	Principal members 31 March 2010	Beneficiaries* 31 March 2010	Growth in Principal Membership (%)
High	59 631	144 750	62 443	151 352	4.7
Standard	5 949	13 603	6 586	14 915	10.7
<b>Total</b>	<b>65 580</b>	<b>158 353</b>	<b>69 029</b>	<b>166 267</b>	<b>5.3</b>

Note: Beneficiaries refers to principal members and their dependants.

During the year under review, a total of **2 744** members were terminated from the Scheme, for various reasons. The breakdown of those terminated is provided in Table 2 below.

Table 2

Number of Members	Reason for Termination
1 177	Non-payment of contributions
353	Left employer
327	Lack of interest in the Scheme
303	Deceased
258	Joining spouse's medical aid
237	No reason provided
65	Financial constraints
19	Overseas on training
5	Temporary absence due to work attachment and/or training
<b>TOTAL 2744</b>	

**OTHER MATTERS**

**Corporate Strategy**

During the year under review, the Committee developed a Corporate Strategy to guide the operations of the Scheme. The Strategy covers the period 2009-14 and is currently being implemented.

It became evident during the Strategy Development Process that the Rules of the Scheme will need to be revised in order to address some of the issues raised. These among others include benefits and contribution structures. It is, therefore, expected that the Rules Review Process will be undertaken during 2010/11 and a Special General Meeting be arranged thereafter for the general membership to consider and approve the proposed changes.

### The BPOMAS/AFA Administration Contract

The Administration Contract between the Scheme and AFA Botswana (Pty) Ltd is due to expire on 31 March 2011. To this end, the Management Committee will, during 2010/11, invite tenders for the administration of the Scheme beyond 31 March 2011.

### External Audit Contract

The three (3) year contract between BPOMAS and KPMG, for the provision of external auditing services expired on 31 March 2010. This means that in terms of the contract, the audit for the year under review was the last one for KPMG.

Given that the Management Committee would have not concluded the appointment of a new external auditor by the AGM date of 30 July 2010, the Committee would request the membership to approve the appointment of KPMG for an additional year to 31 March 2011. The Committee will ensure that during 2010/11, the process is concluded to appoint an auditor to provide auditing services to the Scheme, effective 01 April 2011.

### Bokamoso Private Hospital

Construction of the Bokamoso Private Hospital was completed during the year under review. The hospital started operating and receiving patients on 11 January 2010. However, as it is the case with any project of such magnitude, the hospital had initial teething problems, some of which management addressed swiftly and others are continuing to be addressed.

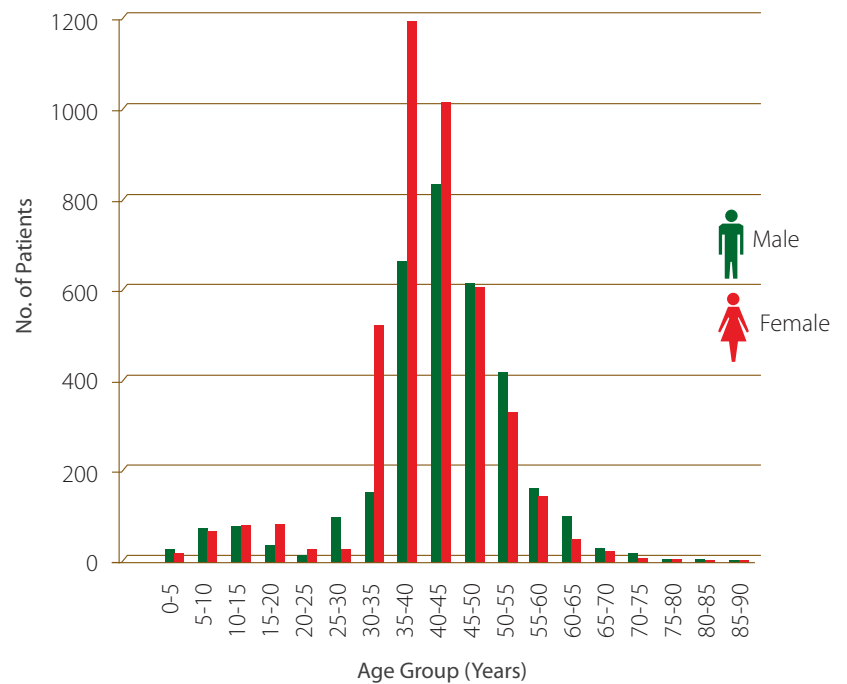
The hospital is to be officially opened in the first quarter of 2010/11.

### Managed Care Programme

The Scheme's Managed Care Programme, which facilitates timely provision of appropriate healthcare interventions for patients on chronic medication, including Antiretroviral Therapy (ART) services, had a total of **7 546** patients as at 31 March 2010. This represents growth of **11.5%** when compared to the **6 770** reported in the previous year.

Figure 2 below shows the distribution of patients enrolled on the Programme, by age and gender, as at 31 March 2010.

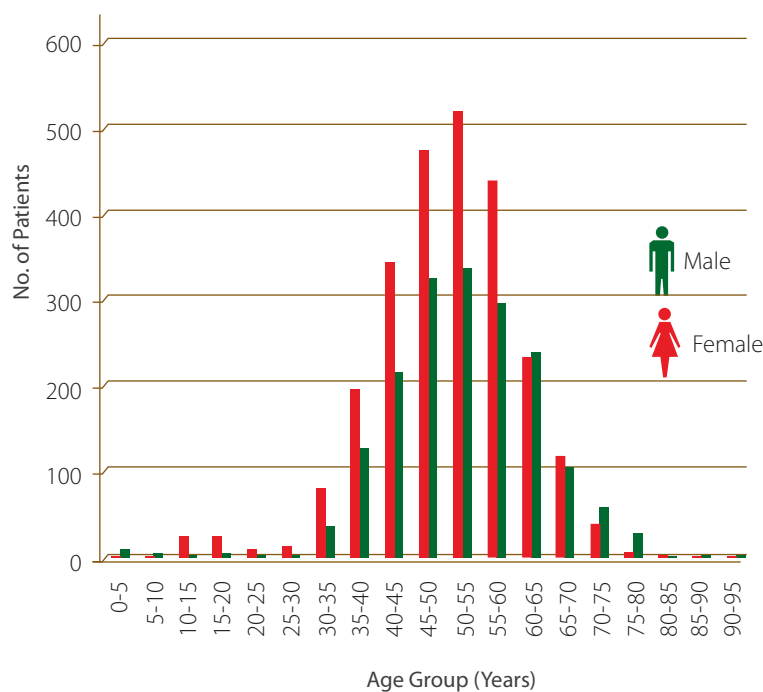
Figure 2: Distribution of Patients Enrolled on ART, by Age and Gender



With respect to Chronic Medication Benefit, there were **4 351** patients registered on the Programme as at 31 March 2010. This represents growth of **17.9%** when compared to the **3 689** reported in the previous year.

Figure 3 below shows the age and gender distribution of the patients enrolled on the Programme as at 31 March 2010.

Figure 3 Distribution of Patients Enrolled on Chronic Medication, by Age and Gender



### Doctor-Patient and Referral System

A total of **20 457** members had, as at 31 March 2010, registered their primary doctors/facilities. This represents an additional **1 907** members when compared to the **18 550** reported for the previous year.

The enrolment is, however, considered very low, relative to the membership of **69 029** as at 31 March 2010.

Members are still urged to register in large numbers, particularly as the Bokamoso Private Hospital is now open. Members are to note that Bokamoso operates mainly as a referral hospital and as such they are expected to have their own primary doctors who would refer them to Bokamoso as and when need arises.

### Marketing/Promotion of the Scheme

During the year under review, the Administrators continued to market the Scheme proactively. Various techniques were applied including media advertising and direct presentations to the public servants in the various ministries and/or departments. The Scheme also addressed the staff unions and/or associations e.g. BOPEU, BTU etc; at the various locations.

Members are to note that it is through such activities that the Scheme is able to retain existing and attract new members to the Scheme.

### Value-Add Partnership Programme (VAPP)

The VAPP continued during the year under review mainly with the previous strategic partners. These are;

Partner	Discount
Art of Living Botswana	10% on adult beginners programme.
Ultimate Day Spar (previously Quest for Beauty)	10% on all types of massage.
Seabelo Travel and Tours	5% discount on the tours and packages fare.
Gym Active (Gaborone)	10% discount on subscriptions.
Fitness and Muscle Club (Kanye)	10% discount on subscriptions
Fleximind Health and Fitness Studio (Francistown)	15% discount on monthly subscriptions.
The Studio Gym (Maun)	10% discount on subscriptions.
Security Systems	10% discount on domestic alarm installation.

K&N (Lobatse) & Furniture Paradise (Gaborone)	17.5% discount on cash purchases
Cresta Marakanelo Hotels	10% discount on week days and 30% during weekends. Available at all Cresta Hotels except Mowana Safari Lodge.
Haskins	20% discount on discountable items.
Altech Netstar Botswana	Free Sleuth for two (2) year contract or upgrade to an early warning system.
Sony (Gaborone)	5% discount on all Sony products.
Sony Erickson (Gaborone)	5% discount on retail prices.
Jamal Trading Company	20% discount on all discountable items except cement and items already discounted.
Samsung (Gaborone)	5% discount on all cash purchases of Samsung handsets and products.
Lapologa Magazine	30% discount on annual subscriptions.

The Administrators of the Scheme are always looking out for opportunities in this area. Members are, therefore, encouraged to contact the Administrators, should they have suggestions on other entities to be considered.

## THE FUTURE

Whilst the Scheme continues to grow, financially; as well as in membership, there is still need for the Management Committee to push for more growth but at the same time ensuring that the Scheme remains financially sustainable in the long-term.

Among the key considerations is management and control of costs. Members would note that some of the key cost elements e.g. claims, printing of AGM Reports etc. are driven by membership growth. As such, whilst the Scheme continues to grow, focus should also be given to ensuring that costs remain in control and within reasonable levels. The opening of the Bokamoso Private Hospital (though it is good for the members who previously had difficulties accessing private hospital services) brings with it challenges regarding costs. As more members access Bokamoso, claims costs will go up.

Part of the cost control initiatives introduced over two (2) years ago are the Doctor-Patient Registration Process and the Referral System. As already mentioned earlier on in the report, whilst the number of members who registered their primary doctors has improved slightly, it is still very low, considering the total membership of the Scheme. We, therefore, urge all members to respond positively to this call, in order to contribute to the cost control initiatives.

Given BPOMAS' stake (80%) in Bokamoso, it is also in the interest of the general membership and the Management Committee that the hospital is successful in its operations. Bokamoso is an investment for the Scheme and as such, the Scheme would expect a reasonable return on its investment. In order for such success and good returns to be realised, all members would need to support Bokamoso and utilise their services.

The other key initiative which is to be undertaken in 2010/11 is to ensure that the benefits available to members are improved. Experience so far, in particular with private hospital services, has shown that the current benefits are not adequate. Members will recall that the current benefits were introduced in November 2006; and have not been reviewed since. Improving the overall benefits will ensure that indeed our members have relatively easy access to private healthcare services; because after all, "your health is our concern!"

## CONCLUSION

The year ended 31 March 2010 was a relatively good year for the Scheme, from both a financial and an operational perspective. The Scheme maintained a high liquidity position and achieved a reasonable growth in the membership. The Scheme was also able to meet its operational object of assisting its members defray the expenses that they and their dependants incurred on healthcare.

The year also witnessed the completion and starting of operation of the Bokamoso Private Hospital. The hospital is a state-of-the-art facility that will offer the BPOMAS members and the Botswana community at large, some of the services they never used to get in the Botswana market. We remain optimistic that Bokamoso will, indeed, feel the gap that had existed for some time in the Botswana healthcare market.

We would like to thank all members for the role they played in the success of the Scheme; and in particular in responding to the Management's call for cost control. Cost control still remains a key consideration in the day-to-day management of the Scheme; and as such we urge all members to continue with their support and co-operation.

In conclusion, I would like to thank all my colleagues on the Management Committee and the various Sub-Committees and Task Teams, for the valuable contribution and commitment to the successful management of BPOMAS.

I would also like to thank our administrators, Associated Fund Administrators Botswana (Pty) Ltd and asset consultants and actuaries, Alexander Forbes, for the professional advice and guidance they have provided during the year under review.

I thank you all.



CHAIRMAN

10 JUNE 2010

DATE



# *Annual financial statements For the year ended 31 March 2010*

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# Management Committee Approval of the Annual Financial Statements

The Scheme's Management Committee is responsible for the preparation and fair presentation of the financial statements, comprising the statement of comprehensive income, the statement of changes in reserves, the statement of financial position at 31 March 2010 and statement of cash flows for the year then ended, the notes to the financial statements, and a summary of significant accounting policies in accordance with International Financial Reporting Standards and in the manner required by the Societies Act No 18:01 of 1972 of Botswana.

The Management Committee's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Management Committee's responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as supplementary schedules included in these financial statements.

The Management Committee has made an assessment of the Scheme's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

## Approval of the annual financial statements:

The annual financial statements were approved by the Management Committee on 02 June 2010 and are signed on their behalf by:



Chairman



Management Committee



# General Information Incorporation and Business Activities

The Botswana Public Officers' Medical Aid Scheme is a government employee medical aid scheme domiciled in Botswana. The Scheme was registered in Botswana in terms of the Societies Act No. 18:01 of 1972.

The Scheme had 69 029 (2009: 65 580) members at 31 March 2010.

## Management Committee Members

K C S Malefho	(Appointed 01 January 2010) <b>Chairman</b>
I P Mompoti	
N W Senegelo	
I G Bagopi	
A N Kiberu	
T J Moabi	
M Setshego	
V B Mogapi	
P Mongwaketse	
M R Gaborone	
E M Botsalano	
K Selebatso	(Appointed 21 December 2009)
N Kahiya	(Resigned 31 December 2009)
R Sigwele	(Resigned 20 December 2009)

## Alternate Members

A A Dintwa  
T Bakoko  
D Marope  
M K Gondo  
O Magwaneng  
T Modise  
G Motswaledi  
T Sebele  
N D Joel

## Postal Address

P O Box 1212  
Gaborone  
Republic of Botswana

## Registered Address

The Office of The Permanent Secretary  
Ministry of Health  
Private Bag 0038  
Gaborone

## Bankers

Standard Chartered Bank Botswana Limited  
Barclays Bank of Botswana Limited

## Auditors

KPMG



Telephone +267 391 2400  
Fax +267 397 5281  
internet <http://www.kpmg.com/>

## Report of the independent auditor to the members of Botswana Public Officers' Medical Aid Scheme

### Report on the Financial Statements

We have audited the financial statements of Botswana Public Officers' Medical Aid Scheme set out on pages 31 to 51, which comprise the statement of comprehensive income, the statement of changes in reserves, the statement of financial position at 31 March 2010 and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management Committee's Responsibility for the Financial Statements

The Management Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Societies Act No. 18:01 of 1972 in Botswana.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Botswana Public Officers' Medical Aid Scheme as of 31 March 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Societies Act No. 18:01 of 1972.

KPMG

Date 02 June 2010

KPMG, a partnership domiciled in Botswana and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

AG Devlin\* NP Dixon-Warren FJ Roos\*\*  
\*British \*\*South African  
VAT Number: P03623901112

# Statement of Comprehensive Income

For the year ended 31 March 2010

In Pula

	Notes	2010	2009
<b>Income from contributions</b>		375 206 343	336 068 464
<b>Expenditure</b>		(352 405 764)	(303 610 623)
Administration expenses	1	(49 943 331)	(34 807 973)
Allied member benefits	2	(8 901 194)	(9 540 339)
Benefits	3	(293 561 239)	(259 262 311)
<b>Operating surplus</b>		22 800 579	32 457 841
Investment income	4	43 737 071	49 654 033
Other Income		16 780	-
<b>Surplus for the year</b>		66 554 430	82 111 874
<b>Other comprehensive income/(loss) for the year</b>			
Changes in fair value of securities		1 769 334	(6 025 512)
Reserve realised on MRI shares sold		-	(330 000)
<b>Total other comprehensive income/(loss) for the year</b>		1 769 334	(6 355 512)
<b>Total comprehensive surplus for the year</b>		68 323 764	75 756 362

# Statement of Changes in Reserves

**Statement of changes in reserves**  
**For the year ended 31 March 2010**  
**In Pula**

	<b>Available for sale reserve</b>	<b>Accumulated Surplus</b>	<b>Retirement Reserve</b>	<b>Reinsurance Reserve</b>	<b>Total Reserves</b>
<b>Balance at 31 March 2008</b>	9 096 441	235 167 688	240 656 815	16 028 989	500 949 933
<b>Total comprehensive surplus for the period</b>	(6 355 512)	82 111 874	-	-	75 756 362
<b>Transactions with members, recorded directly in reserves</b>					
<b>Contributions by and distribution to members</b>					
Transfer to retirement reserve	-	(38 850 263)	38 850 263	-	-
Transfer to reinsurance reserve	-	(4 411 349)	-	4 411 349	-
Transfer from reinsurance reserve	-	7 724 827	-	(7 724 827)	-
<b>Total contributions by and distributions to members</b>	-	(35 536 785)	38 850 263	(3 313 478)	-
<b>Balance at 31 March 2009</b>	2 740 929	281 742 777	279 507 078	12 715 511	576 706 295
<b>Total comprehensive surplus for the period</b>	1 769 334	66 554 430	-	-	68 323 764
<b>Transactions with members, recorded directly in reserves</b>					
<b>Contributions by and distribution to members</b>					
Transfer to retirement reserve	-	(30 902 637)	30 902 637	-	-
Transfer to reinsurance reserve	-	(4 749 155)	-	4 749 155	-
Transfer from reinsurance reserve	-	2 343 270	-	(2 343 270)	-
<b>Total contributions by and distributions to members</b>	-	(33 308 522)	30 902 637	2 405 885	-
<b>Balance at 31 March 2010</b>	4 510 263	314 988 685	310 409 715	15 121 396	645 030 059

# Statement of Financial Position

## Statement of financial position

as at 31 March 2010

In Pula

	Notes	2010	2009
<b>Assets</b>			
<b>Non-current assets</b>			
		527 939 307	117 561 518
Investment in Bokamoso Private Hospital Trust	8	164 800 000	117 561 518
Loan to Bokamoso Private Hospital Trust	9	363 139 307	-
<b>Current assets</b>			
		165 815 187	496 526 392
Investments	7	132 751 969	367 854 533
Accounts receivable	10	4 223 812	5 743 395
Cash and cash equivalents		28 839 406	122 928 464
<b>Total assets</b>		<b>693 754 494</b>	<b>614 087 910</b>
<b>Reserves and liabilities</b>			
<b>Total reserves</b>			
		645 030 059	576 706 295
Accumulated surplus		314 988 685	281 742 777
Available for sale reserve		4 510 263	2 740 929
Retirement reserve	5	310 409 715	279 507 078
Reinsurance reserve	6	15 121 396	12 715 511
<b>Current liabilities</b>			
		48 724 435	37 381 615
Accounts payable and accruals	11	8 288 155	3 839 786
Provision for outstanding claims	12	40 436 280	33 541 829
<b>Total reserves and liabilities</b>		<b>693 754 494</b>	<b>614 087 910</b>

# Statement of Cash Flows

## Statement of cash flows

For the year ended 31 March 2010

In Pula

	2010	2009
<b>Operating activities</b>		
Cash receipts from members	373 947 367	337 980 052
Cash paid for claims	(286 666 787)	(255 506 703)
Cash paid for allied member benefits	(7 943 185)	(9 540 339)
Cash paid in respect of administrative expenses	(46 537 572)	(36 745 862)
<b>Net cash flows from operating activities</b>	32 799 823	36 187 148
<b>Investing activities</b>		
Interest received	20 870 219	47 131 576
Dividends received	595 488	337 104
Disposal of investments	244 442 894	5 000 000
Acquisition of other investments	(70 000 000)	(28 874 637)
Investment in the Bokamoso Private Hospital Trust	(47 238 483)	(110 718 583)
Loan to Bokamoso Private Hospital Trust	(340 559 000)	-
Proceeds from disposal of equity investments	65 000 000	1 875 500
<b>Net cash flows utilised in investing activities</b>	(126 888 882)	(85 249 040)
<b>Net (decrease)/ increase in cash and cash equivalents</b>	94 089 059	(49 061 892)
Cash and cash equivalents at the beginning of the year	122 928 465	171 990 357
Cash and cash equivalents at the end of the year	28 839 406	122 928 465
<b>Cash and cash equivalents are represented by:</b>		
Bank balances - current account	1 978 909	1 528 572
- call account	29 885 237	133 978 292
- settlement account	(3 024 740)	(12 578 399)
	28 839 406	122 928 465

Surplus funds are retained in both the main bank account and the call deposit account. The call account bears interest at current market rates.

As there is a right of set-off, the settlement account is included in cash and cash equivalents.

# Significant Accounting Policies

## Significant accounting policies For the year ended 31 March 2010

The financial statements incorporate the significant accounting policies set out below, which are consistent with those adopted in the previous financial year.

### Statement of compliance

The financial statements are presented in accordance with the International Financial Reporting Standards (IFRSs).

### Basis of preparation

The financial statements are presented in Botswana Pula (the Scheme's functional currency) and are prepared on the historical cost basis-except that financial instruments are stated at fair values.

The preparation of financial statements in conformity with IFRSs requires management to make judgement, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 12 and 16.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

### New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2010, and have not been applied in preparing these financial statements.

- IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified in profit or loss, at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

### Significant accounting policies (continued)

- The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.
- The Scheme is currently in the process of evaluating the potential effect of this standard.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Scheme's 2011 financial statements, with retrospective application required. The amendments are not expected to have a significant impact on the financial statements

### Presentation of financial statements

The Scheme applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Scheme presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard.

### Contributions

Contributions are brought to account on an accruals basis.

### Investments

Listed equity shares are stated at fair value with any revaluation gain or loss recognised in other comprehensive income.

All other financial instruments are stated at amortised cost less any impairment losses.

When these investments are derecognised, the cumulative gain or loss previously recognised directly in reserves is recognised in the statement of comprehensive income. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of investments classified as held for trading and available-for-sale is their market value at the financial position date.

Financial instruments classified as held-for-trading or available-for-sale investments are recognised/derecognised by the scheme on the date it commits to purchase/sell the investments. Securities held-to-maturity are recognised/derecognised on the day they are transferred to/by the scheme.

### Recognition and derecognition of assets and liabilities

The Scheme recognises assets when it obtains control of a resource as a result of past events and future economic benefits are expected to flow to the Scheme. The Scheme derecognises a financial asset when it loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. A financial liability is derecognised when it is legally extinguished.

### Benefits

Benefits are paid and expressed net of discount received from service providers.

### Retirement Reserve

This represents an appropriation from income that is considered by the Scheme's Management Committee to be a necessary step towards



### **Significant accounting policies (continued)**

planning for future retirement benefits of its members. In this regard, it has been agreed to set aside amounts equal to 50% of the surplus for the year after an appropriation to the reinsurance reserve.

#### **Reinsurance Reserve**

This represents an appropriation from income, which is considered by the Scheme's Management Committee to be a necessary provision for catastrophe costs (as defined in Annexure B of the Scheme rules) exceeding the basic overall annual limits.

#### **Provisions**

Provisions are recognised when the scheme has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

#### **Provision for Outstanding Claims**

The amount represents estimated outstanding claims incurred during the financial year, but payable in the succeeding financial year.

#### **Accounts receivable**

Accounts receivables are stated at their cost less impairment losses.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise bank balances and call accounts. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

#### **Accounts payable**

Accounts payable are stated at their originated cost.

#### **Investment Income**

Investment income comprises interest receivable on funds invested and dividend income that are recognised in the statement of comprehensive income.

Interest income is recognised in the statement of comprehensive income as it accrues. Dividend income is recognised in the statement of comprehensive income on the date that the dividend is declared.

#### **Impairment**

##### **Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of the financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal of the impairment loss is recognised in the statement of comprehensive income.

##### **Non-financial assets**

The carrying values of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

### **Significant accounting policies (continued)**

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflow that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in the statement of comprehensive income. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses recognised in the prior periods are assessed at each reporting date for any indication that these losses have decreased or no longer exist. 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, net of depreciation and amortisation, if no impairment was recognised.

### **Foreign currencies**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the financial position date are translated to Pula at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Pula at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

### **Administration fees**

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

### **Allied member benefits**

These are amounts paid to providers of ambulance services and funeral assurance. The service providers are paid amounts that are based on the number of active members on the Scheme's register at an agreed monthly rate.

# Notes to the Financial Statements

**Notes to the financial statements**  
**For the year ended 31 March 2010**  
**In Pula**

	<b>2010</b>	<b>2009</b>
<b>1 Administration expenses</b>		
Administration fees	31 820 546	29 004 269
Vat on administration fees	3 182 054	2 900 427
Advertising	3 597 406	1 794 969
Aid for Aids Consultancy	1 726 115	1 055 237
Annual General Meeting expenses	1 033 575	853 644
Audit fees - current year	111 268	67 960
- prior year	37 640	-
Bank charges	56 710	46 904
Pharmaceutical Benefit Management Consultancy	3 807 654	1 097 934
Other Consultancy	29 120	68 704
Actuarial Consultancy	1 244 352	316 580
Fidelity insurance	93 997	120 551
Legal fees	37 044	5 500
Foreign exchange loss	850 389	(837 269)
Postages	418 735	815 994
Reversal of provision no longer required	-	(3 546 720)
Impairment accrual – accounts receivable	804 743	489 603
Printing and stationery	776 926	320 370
Subscriptions	315 057	233 316
	<u>49 943 331</u>	<u>34 807 973</u>
<b>2 Allied member benefits</b>		
Funeral policy premium	3 732 398	3 458 653
Medical evacuation premium	5 168 796	6 081 686
	<u>8 901 194</u>	<u>9 540 339</u>

# Notes to the Financial Statements (continued)

## 3 Benefits

Claims paid	286 666 787	255 506 702
Net increase in provision for outstanding claims	6 894 452	3 755 609
	<u>293 561 239</u>	<u>259 262 311</u>

**2010**

**2009**

## 4 Investment income

Interest on investments	39 935 874	38 726 930
Interest on bank balances	2 885 989	10 064 499
Dividends	915 208	337 104
Gain on disposal of equity investment	-	525 500
	<u>43 737 071</u>	<u>49 654 033</u>

## 5 Retirement reserve

At beginning of the year	279 507 078	240 656 815
Transfer from accumulated surplus	30 902 637	38 850 263
At end of the year	<u>310 409 715</u>	<u>279 507 078</u>

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 after transfers to reinsurance reserve 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.

## 6 Reinsurance reserve

At beginning of the year	12 715 511	16 028 989
Transfer from accumulated surplus	4 749 155	4 411 349
Transfer to accumulated surplus	(2 343 270)	(7 724 827)
	<u>15 121 396</u>	<u>12 715 511</u>

## Notes to the Financial Statements (continued)

This represents appropriations from income which are considered by the Scheme's Management Committee as necessary to cover catastrophe costs (as defined in Annexure B to the Scheme Rules) exceeding the basic overall annual limits. The reserve is, however, available for any other purpose as may be determined by the Management Committee and the members.

Catastrophe costs incurred during the financial year are accounted for through the statement of comprehensive income. A transfer equal to the catastrophe costs incurred is made from reinsurance reserve to the accumulated surplus each year.

	2010	2009
<b>7 Investments</b>		
<b>Equity investments</b>		
<b>Listed</b>		
Botswana Insurance Holdings Limited shares at fair value	7 721 387	5 952 056
<b>Unlisted</b>		
Botswana Building Society shares	4 900 760	67 834 160
	<u>12 622 147</u>	<u>73 786 216</u>
<b>Bonds</b>		
DPCF 002 6 year note	-	19 496 000
National Development Bank Commercial Paper maturing 1 March 2012.	30 000 000	30 000 000
	<u>30 000 000</u>	<u>49 496 000</u>
<b>Other investments</b>		
Stanbic Money Market Fund	-	55 915 582
Government bonds – DPCF 002 6 year note	20 000 000	-
Bank Gaborone fixed deposits	-	86 847 648
Fixed deposit-Barclays Bank	70 000 000	-
African Alliance Liquidity Fund	129 822	78 277 967
Government bonds – BW002 10.25%	-	23 531 120
	<u>90 129 822</u>	<u>244 572 317</u>
<b>Total investments</b>	<u>132 751 969</u>	<u>367 854 533</u>

## Notes to the Financial Statements (continued)

Investments in listed equity securities and bonds present the Scheme with opportunity for return through dividend or interest income and trading gains. The fair values of these securities, where applicable, are based on quoted market bid prices.

### 8 Investment in Bokamoso Private Hospital Trust

Balance at the beginning of the year	117 561 518	6 842 935
Investment during the year	47 238 482	110 718 583
	<hr/>	<hr/>
Closing balance at the end of the year	164 800 000	117 561 518

The Scheme is a stakeholder in the Bokamoso Private Hospital Trust with Pula Medical Aid Fund. The Scheme has contributed 80% of the required funding and 20% has been provided by Pula Medical Aid Fund.

	<b>2010</b>	<b>2009</b>
<b>9 Loan to Bokamoso Private Hospital Trust</b>		
Loan balance	<hr/> 363 139 307	<hr/> -

The loan to Bokamoso Private Hospital Trust is unsecured and is issued at a fixed interest rate of 12% per annum. The loan is carried at cost. Repayments shall commence in June 2012. There is no fixed maturity date.

### 10 Accounts receivable

Contributions outstanding	3 466 148	1 402 431
Less: Provision for doubtful debts	(1 294 346)	(489 603)
	<hr/> 2 171 802	<hr/> 912 828
Sundry debtors	285 927	201 326
Interest accrued	1 766 083	4 629 241
	<hr/> 4 223 812	<hr/> 5 743 395

# Notes to the Financial Statements (continued)

## 11 Accounts payable and accruals

Associated Fund Administrators Botswana (Administrators)	4 473 051	2 641 468
MRI Botswana Limited	699 281	277 845
Botswana Life Insurance Limited	314 874	299 912
Creditor for claims	1 655 990	428 611
Sundry creditors	1 144 959	191 950
	<hr/>	<hr/>
	8 288 155	3 839 786
	<hr/>	<hr/>

## 12 Provision for outstanding claims

At beginning of the year	33 541 829	29 786 221
Increase in provision for outstanding claims	6 894 451	3 755 608
	<hr/>	<hr/>
At end of the year	40 436 280	33 541 829
	<hr/>	<hr/>

The provision for outstanding claims represents the committee members' best estimate of claims that have been incurred during the current financial year but which are payable after the year-end.

## 13 Taxation

No provision for normal Botswana tax has been made as the Scheme is registered in terms of the Societies Act No. 18:01, of 1972, and by way of the provisions of the Scheme's Rule 36.3 meets the requirements for such exemption, on condition that on dissolution, any distributable Scheme assets should be donated to any organisation that falls within the ambit of the tax exemption status that is provided by item (ix) of part 1 of the second Schedule of the Income Tax Act.

Specific approval was obtained from the Botswana Unified Revenue Service to maintain the Scheme's exempt status under the Second Schedule to the Income Tax Act, Part I, paragraph (V).

## 14 Financial instruments

Exposure to interest rate, foreign exchange, credit and liquidity risk occurs in the normal course of the Scheme's business. The Scheme has a treasury policy which sets out objectives for the maximisation of returns through efficient management of cash flows and specific foreign exchange exposure, to ensure funding requirements are met and to ensure that all treasury assets and liabilities are fairly presented.

### Market risk

Fluctuation in interest rates impact on the value of short-term cash investments, giving rise to price risk. Other than ensuring optimum money market rates for deposits, the Scheme does not make use of financial instruments to manage this risk.

## Notes to the Financial Statements (continued)

### Other market price risk

Equity price risk arises from available-for-sale equity securities. The Management Committee of the Scheme monitors the performance of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Management Committee.

### Credit risk

The Scheme has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Scheme is exposed to credit risk are:

- contributions and other receivable balances,
- investments
- loans and
- bank balances.

Exposure to credit risk is monitored on an ongoing basis. All investment decisions are evaluated first by the Administrators before being tabled before the Management Committee for consideration and approval.

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in

Botswana. Banks in Botswana are not rated but each of the banks concerned are subsidiaries of major South African or United Kingdom registered institutions and are regulated by Bank of Botswana.

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk, after allowances for impairment, at the reporting date was:

	<b>2010</b>	<b>2009</b>
Contributions receivables	2 171 802	912 828
Other receivables	2 052 010	4 830 571
Loan to Bokamoso Private Hospital Trust	363 139 307	-
Cash and cash equivalents	28 839 406	122 928 465
Investments	125 030 582	361 902 476
	<u>521 233 107</u>	<u>490 574 340</u>



# Notes to the Financial Statements (continued)

**For the year ended 31 March 2010**

**In Pula**

## **14 Financial instruments (Continued)**

### **Exposure to credit risk (Continued)**

The maximum gross exposure to credit risk for contributions receivables at the reporting date by type of customer was:

	<b>2010</b>	<b>2009</b>
Central government	2 362 998	1 091 103
Town councils	106 911	59 095
District councils and land boards	907 779	193 651
Parastatals	88 460	58 583
	<u>3 466 148</u>	<u>1 402 432</u>

The ageing of contribution receivables at the reporting date was:

	<b>Gross 2010</b>	<b>Impairment 2010</b>	<b>Gross 2009</b>	<b>Impairment 2009</b>
Not past due	924 495	-	462 292	-
Past due 1 - 30 days	1 095 954	-	450 537	-
Past due 31 – 90 days	1 445 699	1 294 345	489 603	489 603
	<u>3 466 148</u>	<u>1 294 345</u>	<u>1 402 432</u>	<u>489 603</u>

The movement in the allowance for impairment in respect of contribution receivables during the year was as follows:

	<b>2010</b>	<b>2009</b>
Opening balance at 1 April 2009	489 603	3 546 721
Additional impairment recognised during the year.	804 742	489 603
Impairment reversed to the statement of comprehensive income during the year	-	(3 546 721)
Closing balance at 31 March 2010	<u>1 294 345</u>	<u>489 603</u>

# Notes to the Financial Statements (continued)

## Liquidity risk

The Scheme is exposed to daily operational payments and payment of claims payable balances. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Scheme sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

The analysis of assets and liabilities of the Scheme into relevant maturity groupings is based on the remaining period at reporting date to the contractual maturity date. The matching and controlled mismatching of the maturities is fundamental to the management of the risk.

	<b>Total</b>	<b>Demand</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>
<b>2010</b>					
<b>Assets</b>					
Bank balances	31 864 146	31 864 146	-	-	-
Contribution and other receivables	4 223 812	-	4 223 812	-	-
Loans	363 139 307	-	-	-	363 139 307
Investments	297 551 969	7 851 209	124 900 760	-	164 800 000
	<u>696 779 234</u>	<u>39 715 355</u>	<u>129 124 572</u>	<u>-</u>	<u>527 939 307</u>
<b>Liabilities</b>					
Bank overdraft	3 024 650	3 024 650	-	-	-
Claims and other payables	48 724 435	-	48 724 435	-	-
	<u>51 749 085</u>	<u>3 024 650</u>	<u>48 724 435</u>	<u>-</u>	<u>-</u>
<b>2009</b>					
<b>Assets</b>					
Bank balances	134 710 607	134 710 607	-	-	-
Contribution and other receivables	5 743 398	-	5 418 782	324 616	-
Investments	361 902 476	89 659 150	86 847 648	67 834 160	117 561 518
	<u>502 356 481</u>	<u>224 369 757</u>	<u>92 266 430</u>	<u>68 158 776</u>	<u>117 561 518</u>
<b>Liabilities</b>					
Bank overdraft	12 578 399	12 578 399	-	-	-
Claims and other payables	37 381 615	-	37 381 615	-	-
	<u>49 960 014</u>	<u>12 578 399</u>	<u>37 381 615</u>	<u>-</u>	<u>-</u>

# Notes to the Financial Statements (continued)

## 14 Financial instruments (Continued)

### Exposure to currency risk

The Scheme is exposed to foreign currency risk for transactions that are denominated in a currency other than Pula.

The Scheme's exposure to foreign currency risk was as follows based on notional amounts:

	US Dollar	SA Rand
<b>2010</b>		
Cash and cash equivalents	-	-
<b>Net financial position exposure</b>	<u>-</u>	<u>-</u>
<b>2009</b>		
Cash and cash equivalents	5 398 579	-
<b>Net financial position exposure</b>	<u>5 398 579</u>	<u>-</u>

The following exchange rates applied at the end of the year.

	2010	2009
<b>1 BWP</b>		
US Dollar	0.1478	0.1305
SA Rand	0.9219	0.8850

### Sensitivity analysis

A 10 percent strengthening of the Botswana Pula against these currencies at year-end would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	Reserves	Surplus or deficit
<b>31 March 2010</b>		
US Dollar	<u>-</u>	<u>-</u>
<b>31 March 2009</b>		
US Dollar	<u>(490 777)</u>	<u>(490 777)</u>

# Notes to the Financial Statements (continued)

## 14 Financial instruments (Continued)

### Sensitivity analysis (continued)

A 10 percent weakening of the Botswana Pula against the above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### Exposure to interest rate risk

The Scheme invests with reputable institutions and is subject to normal market interest rate risk. The effective interest rates on the Scheme's call deposits at year-end were as follows:

Pula call 5% (2009:11.7%) per annum

Financial instruments that are sensitive to interest rate risk are cash and cash equivalents. Interest rates applicable to cash and cash equivalents fluctuate with movements in the prime interest rate and are comparable with rates currently available in the market

<b>Fixed interest rate instruments</b>	<b>2010</b>	<b>2009</b>
Loan to Bokamoso Private Hospital Trust	363 139 307	-
Bank Gaborone fixed deposits	-	86 847 648
Government bonds – BW002 10.25%	-	23 531 120
National Development Bank Commercial Paper maturing 1 March 2012.	30 000 000	30 000 000
Fixed deposit-Barclays Bank	70 000 000	-
DPCF 002 6 year note	20 000 000	19 496 000
	<u>483 139 307</u>	<u>159 874 768</u>
<b>Variable interest rate instruments</b>		
Cash and cash equivalents	28 839 406	122 928 465
African Alliance Liquidity Fund	129 822	78 277 967
Stanbic Money Market Fund	-	55 915 582
	<u>28 969 228</u>	<u>257 122 014</u>
With average interest rates for cash and cash equivalents at 5% per annum a change of 50 basis points in interest rates at the reporting date would have affected Scheme profit as follows:		
<b>Increase of 50 basis points</b>		
Variable rate instruments	<u>144 846</u>	<u>1 285 610</u>
<b>Decrease of 50 basis points</b>		
Variable rate instruments	<u>(144 846)</u>	<u>(1 285 610)</u>

# Notes to the Financial Statements (continued)

## 14 Financial instruments (Continued)

### Exposure to market risk on equity investments

The Scheme is exposed to market risk for investments in equities that are listed on the Botswana Stock Exchange.

The Scheme's exposure to market risk was as follows based on notional amounts:

	2010	2009
Botswana Stock Exchange quoted equity investments	7 721 387	5 951 177

### Sensitivity analysis

A 10 percent increase in the share prices would have increased reserves by the amounts shown below. The analysis is performed on the same basis for 2009.

#### 31 March 2010

Impact of 10% increase in share prices

#### Reserves

772 138

#### 31 March 2009

Impact of 10% increase in share prices

595 112

## 15 Valuation of financial instruments

The Scheme measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Scheme determines fair values using valuation techniques.

## Notes to the Financial Statements (continued)

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Scheme uses widely recognised valuation models for determining the fair value of common and more simple financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities and exchange traded derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty

associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

In Pula	Note	Level 1	Level 2	Level 3	Total
<b>31 March 2010</b>					
Equity investments		7 721 387	-	-	7 721 387
Bonds			50 000 000	-	50 000 000
Other investments		-	-	438 169 889	438 169 889
Investment in Bokamoso Private Hospital		-	-	164 800 000	164 800 000
		<u>7 721 387</u>	<u>50 000 000</u>	<u>602 969 889</u>	<u>660 691 276</u>
<b>31 March 2009</b>					
Equity investments		73 786 216	-	-	73 786 216
Bonds		-	49 496 000	-	49 496 000
Other Investments		-	-	244 572 316	244 572 316
Investment in Bokamoso Private Hospital		-	-	117 561 518	117 561 518
		<u>73 786 216</u>	<u>49 496 000</u>	<u>362 133 834</u>	<u>485 416 050</u>

## *Notes to the Financial Statements (continued)*

### **16 Accounting estimates and judgements**

The Scheme's estimates for accounts receivable impairment provision and provision for outstanding claims are continually reviewed and updated and adjustments resulting from this review are reflected in the statement of comprehensive income. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

### **17 Future commitments**

The following was authorised by a presidential directive:

- an investment by the Botswana Public Officers' Medical Aid Scheme (BPOMAS) in the establishment of a private hospital to benefit its members
- establishment of a hospital trust by BPOMAS and Pula Medical Aid Fund Trust for purposes of the project.
- the identification and engagement of a technical partner to develop and run the hospital and
- investment by BPOMAS of up to 80% of the total project costs and that the participation in the governance structure of the hospital trust be six (6) members from BPOMAS and four (4) members from the Pula Medical Aid Fund Trust.

The hospital was opened to the public in January 2010.













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