



TWENTY



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NAVIGATING THE INTEGRATED REPORT

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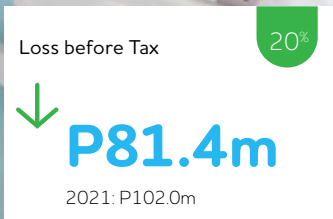
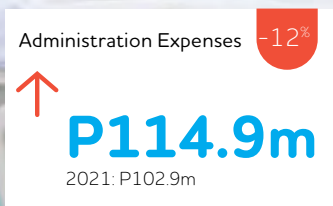
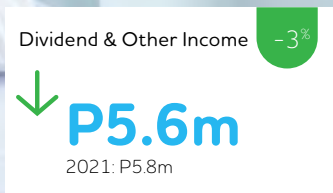
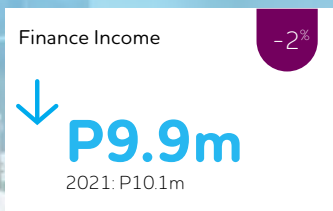
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Indicated where further information can be found on our website, www.bomaïd.co.bw



PERFORMANCE HIGHLIGHTS AT A GLANCE



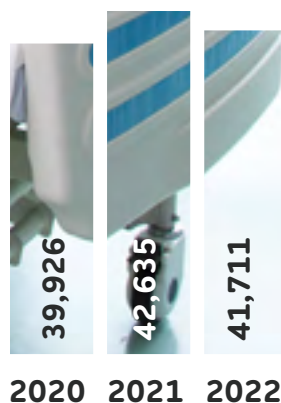
Intellectual

5,400 Members registered on the Bomaid App

Manufactured

Enhanced stakeholder interaction through new apps, virtual platforms, and integrated systems

Number of customers



Bomaid in Numbers:
Market share increase to 54% of open medical aid schemes

The Botswana Medical Aid Society (Bomaid) is Botswana's leading, private medical aid provider, covering over



93,000 lives

Superior service through three offices in Gaborone, Francistown and Maun



55,000 Unique mobile and internet App users

93%

Electronic submission of claims

99%

Employee retention rate

Social

Decrease in principal Members by **2%** from **42,635** to **41,711**

Increase in **Claims lines** by **6%** from **P4.3m** to **P4.6m**

Financial

Increase in member contributions by **9.2%**
Decrease in **solvency ratio** from **48%** to **33%**

Human

Decrease in number of **employees** from **86** to **82**

Decrease in number of **female employees** from **57** to **56**



Performance Highlights **Milestones** Highlights

Bomaid Milestones

We have a proud history and a remarkable story to tell of investing in our people to make us all collectively more resilient. Over the years, we have overcome many challenges and had many successes, highlighted below:

1970s and 1980s

- Registration of the Society
- Administration by audit firms



1990s

- Turnaround Strategy 1
- Self-administration
- HIV Benefit introduced
- First Private Hospital opened - Gaborone Private Hospital



2020s

- Opening of Francistown office
- Launch of new generation products (Bombaby, Wellness, Managed Care Programmes)





- Return to surplus after sustained period of deficits
- Outsourcing and then insourcing of administration
- Appointment of actuaries
- Enhancing of combined assurance (Outsourcing of Internal Audit function and establishing a Risk and Compliance function)
- Closure of Alpha Access
- NBFIRA regulation commences
- Adopt-a-School initiative
- BHF Titanium Award for service to Membership
- Commencement of medical value tourism

2010s

- Opening of second and third private hospitals – Bokamoso Private Hospital & Riverside
- Improvement in embedded life products
- Introduction of severe illness benefit
- Introduction of screening and prevention benefits
- Achieved majority ownership of MRI Botswana
- Bomaid brand refresh
- Opening of Maun office
- Turnaround Strategy 2 starts








2020s

- Opening of fourth, fifth, sixth, seventh and eighth private hospitals – Sidilega Private Hospital, Maun Private Hospital, Francistown Academic Hospital, Sir Ketumile Masire Teaching Hospital and Doctor's Inn Maun.
- Advent of day clinics
- Go Live of Thobo core administration system
- Second brand refresh
- Bomaid turns 50
- Celebration of 50th anniversary with founding customers and staff
- Covid-19 Cover
- 101 Most Fabulous Leaders Award
- Donation of P2 million to the Covid-19 Relief Fund
- Recipient of 2021 Service Excellence Award – Chartered Institute of Customer Management
- Recipient of PMR Excellence Award – 2021
- Successful conclusion of turnaround strategy
- Approval of Wellness Transformation Strategy
- Improved focus on healthcare reporting
- Launch of new generation health plans
- Enhanced risk management
- Organisational restructuring





During 2022, we continued to build on our story of progress. Despite the challenges of the past year, we have several highlights that we would like to share with our stakeholders, highlighted below:

CATEGORY	HIGHLIGHTS	STRATEGIC OBJECTIVE
Financial 	<ul style="list-style-type: none"> • Scheme administration cost ratio at 17% • Reduction of claims ratio from 102% to 93% • Decrease in scheme deficit from P101.9m to a deficit of P81.4m • Decrease in group deficit P102m to P93m • Decrease in scheme operating deficit from P116.6m to P70.8m • Decrease in solvency ratio from 48% to 33% • Increase in member contributions by 9.2% from P771.2m to P842.3m • Increase in Group Revenue by 7.6% from P821.9m to P884.7m • Increase in Scheme underwriting deficit from a P14.7m loss to a surplus of P48.1m • Increase in Group Gross Profit by 386% from P14m to P68m 	<ul style="list-style-type: none"> • Financial Sustainability
Human 	<ul style="list-style-type: none"> • Decrease in number of employees from 86 to 82 • Decrease in number of female employees from 57 to 56 • Number of youth employees (under 35) unchanged at 22 • Decrease in training costs by 1.67% • Value of remuneration paid decreased by 1.3% • Male to Female ratio: 32%: 68% • Employee retention rate at 99% 	<ul style="list-style-type: none"> • Operational Excellence • Financial Sustainability
Intellectual 	<ul style="list-style-type: none"> • Market share at 54% of open medical aid schemes • Over 5,400 members registered on the Bomaid App • Social media reach: <ul style="list-style-type: none"> • Over 45,000 on Facebook • From 2,700 to over 2,900 on Instagram • From 1,300 to over 7,000 on LinkedIn • From 450 to over 550 on Twitter • 93% closure of Treating Customer Fairly (TCF) Self-Assessment action items 	<ul style="list-style-type: none"> • Operational Excellence





Performance highlights

Milestones

Highlights



CATEGORY	HIGHLIGHTS	STRATEGIC OBJECTIVE
Manufactured 	<ul style="list-style-type: none"> Enhanced stakeholder interaction through new apps, virtual platforms, and integrated systems BomaId App available on iOS and Android Over 99,000 calls Over 276,000 workflows created with 95% completion rate 93.5% claims paid within 30 days 3 days hospital average length of stay (LOS) 	<ul style="list-style-type: none"> Operational Excellence
Social 	<ul style="list-style-type: none"> 2% reduction in Principal Members by from 42,635 to 41,711 1% reduction in beneficiaries from 93,926 to 93,211 2.7% increase in chronic enrolments from 17,321 to 17,794 6,746 NCD chronic disease enrolments 167 HIV/AIDS enrolments 73% HIV/AIDS treatment adherence 81% Diabetes treatment adherence 74.1% Hypertension treatment adherence Reduction in HIV viral suppression from 98% to 90% 52% utilisation of generic medication 92.8% electronic submission of claims 6.2% increase in claim lines paid from 4,308,228 to 4,577,063 6% increase in claims payments from P786,624,224 to P794,735,289 P0.9m Ex Gratia payments 1% Increase in average age of Principal Members from 42.8 to 43.2 years Average across beneficiaries at 30.16 years. 3% reduction in road ambulance evacuations from 1,929 to 1,292 17% increase in air evacuations from 24 to 28 	<ul style="list-style-type: none"> Financial Sustainability Operational Excellence Impact on Wellness



About our Integrated Annual Report

This report is our third Integrated Annual Report. It reflects our commitment to integrated thinking, good governance, and enhanced consideration of our stakeholder groups.

NAVIGATION ICONS

Material matters



Fraud waste and abuse

Member retention

Digital Transformation



Covid-19

State of the economy

Regulatory Changes

Capitals



Financial

Human

Intellectual

Manufactured

Social

The report provides information relating to:



Our governance

Material risks and opportunities

Performance against strategy

Our impact on society

Our prospects

We welcome written comments and feedback from our stakeholders that relate to both this report and other general matters.

Please email your comments to: principalofficer@bomaid.co.bw



About our Integrated Annual Report

ENHANCEMENTS TO THIS REPORT

This report is our third Integrated Annual Report. It reflects our commitment to integrated thinking, good governance, and enhanced consideration of our stakeholder groups. In producing this report, we continue to recognise that there are areas for improvement and reaffirm our commitment to further enhancement of our reporting quality and disclosures in future reports. In this report, we have made strides in aligning our report disclosures with the requirements of the Integrated Reporting Framework, including the guiding principles and content elements.

SCOPE AND BOUNDARY

The Botswana Medical Aid Society (Bomaid) integrated report is our main report to our stakeholders. The report provides information relating to our governance, material risks and opportunities, performance against strategy, our impact on society and our prospects. It covers the period from 1st January to 31st December 2022. Any material events are also included after this date and up to Board approval of the Annual Financial Statements on 27th April 2023, and the Integrated Report and Governance Report on 21st June 2023.

THE REPORT PROVIDES INFORMATION RELATING TO:

OUR GOVERNANCE



MATERIAL RISKS AND OPPORTUNITIES



PERFORMANCE AGAINST STRATEGY



OUR IMPACT ON SOCIETY



OUR PROSPECTS



Integrated Report preparation process

Board of Trustees discussions

Internal and external reporting

Cross-functional team review

Board and EXCO oversight

Sustainability team support

Report sign off

REPORTING FRAMEWORKS AND ASSURANCE

Bomaid takes direction on reporting from the King IV Report on Corporate Governance for South Africa, 2016 (King IV™) and the International Integrated Reporting Council's (IIRC) International Framework. In addition, the objectives of the Registrar of Societies, Non-Bank Financial Institutions Regulatory Authority (NBFIRA), Botswana Medicines Regulatory Authority (BOMRA), Financial Intelligence Agency (FIA) and the Botswana Accountancy Oversight Authority (BAOA) have been considered in the drafting of this report. Financial information has been prepared in accordance with International Financial Reporting Standards (IFRS).

The Board and Executive Management, with oversight of the Chief Financial Officer, reviews and approves the report and is comfortable, based on materiality, that external assurance on the accuracy of non-financial information is not necessary at present. This position is considered on a regular basis. Our annual financial statements have been audited by Deloitte, who expressed an unmodified opinion thereon. To obtain a full understanding of the nature of the information that has been audited, refer to the Auditor's Report and the Audited Annual Financial Statements in the attached report and on our website.



About our Integrated Annual Report (continued)

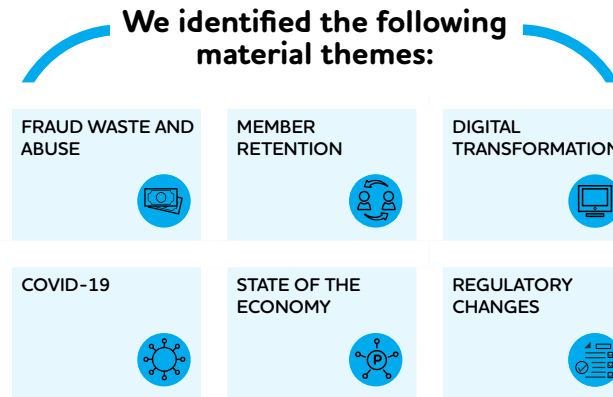
BASIS OF PRESENTATION

The 2022 integrated report is prepared from Board of Trustees discussions, minutes, decisions, and approvals (reflecting the group's integrated thinking). In addition, internal and external reporting information, as required by the Integrated <IR> Framework (2021) is taken into consideration.

A cross-functional team, led by the Group Chief Executive Officer, representing various functional areas across the Group, produce the draft integrated report with oversight from Board. Members of the Board and the Executive Management contribute to the content. In 2021, an external sustainability team was brought in to provide support in the process and to build capacity for future reporting. All members of the Executive Management are involved in drafting the report, while the Board provides final approval and sign-off.

MATERIALITY

We consider material issues that affect value creation in terms of our operating environment, the interests of our key stakeholders, and the priority risks and opportunities facing the organisation. The material themes presented in the report are identified through internal and external stakeholder engagement. These themes are prioritised based on relevance and impact on our ability to achieve our strategic objectives. This process is managed by the Executive Team and supported by the Board. Where possible, our performance is benchmarked against our peers based on publicly available information. There are no material changes, other than the enhancements referenced below to the content of this report compared with the 2022 Annual Report.



FORWARD-LOOKING STATEMENTS

Some statements in this report may be considered as forward-looking statements and targets. These statements involve both known and unknown risks and uncertainties relating to future events and may be influenced by factors outside the Group's control. Further, there are various factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements.

We cannot guarantee that any forward-looking statements will materialise, and accordingly readers are cautioned not to place undue reliance on any forward-looking statements.

Bomaid disclaims any intention and assumes no responsibility or obligation to update or revise any forward-looking statements, even if added information becomes available because of future events or for any other reason, other than as is required by legislation.

FEEDBACK

In this report, we demonstrate our progression along our integrated thinking and reporting journey. We have included additional disclosures regarding materiality, risks and opportunities, and value creation.

BOARD ASSURANCE AND APPROVAL

The Board confirms that the Group continues to conform with the primary legislation governing its establishment and operations. This includes the Societies Act of 1972, Companies (Amendment) Act of 2019, The Financial Reporting Act of 2010, the Financial Intelligence Act of 2022, Data Protection Act of 2018 and the NBFIRA Act of 2016 as well as the Botswana Medical Aid Society Books of Rules & Memoranda and Constitutions of Companies in which Bomaid has direct or indirect shareholding. Our attestation is informed by the Legal Compliance Self-Assessment review performed by Risk and Compliance and the external audit of the annual financial statements by Deloitte; and the ongoing second- and third-line assurance activities.

In the Board's opinion, this report provides a fair and balanced account of the Group's performance on those material matters that we have assessed as having a bearing on our capacity to create and sustain value. Although we believe that this report has been prepared in accordance with the IIRC International Framework, we undertake to continually mature our level of integrated reporting over time.

The report was approved by the Board of Trustees on 21st June 2023 and signed on its behalf by:



Mr. Fergus Ferguson
Chairperson



Mr. Moraki Mokgosana
Chief Executive Officer



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OUR BUSINESS

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About Bomaid

WHO WE ARE

Botswana Medical Aid Society (Bomaid) is a **medical aid fund** registered in Botswana under the Societies Act, **established in 1970.**

We are the largest open medical aid fund in Botswana providing products and services to our 41,711 principal members and 93,211 beneficiaries across Botswana. Through our healthcare services company, Southview, we provide other medical services including emergency medical evacuation, general medical services, site clinics, contact centre and the retailing of chronic and acute medication

We provide products and services to:

41,711
Principal Members

93,211
Total lives covered

Vision

YOUR COMPANION IN WELLNESS AND HEALTH

Mission

TO PROVIDE DIVERSE AND LEADING-EDGE HEALTHCARE SOLUTIONS THROUGH INNOVATION AND EXCELLENCE.

Values

Passion for Wellness

At the heart of our core philosophy is that wellness is the route to health and happiness. Through care and empathy, we demonstrate, motivate for, and inspire the practice of healthy habits in order to attain better physical, mental and emotional health outcomes.

Accountability

We understand what our customers want and need, and deliver on what we promise them. We aim to exceed expectations and deliver without excuses.

Urgency

We foster an environment that challenges constraints and drives progress with agility, tenacity and a sense of urgency. We take action with promptness and speed.

Consistency

We conduct ourselves professionally, delivering consistently according to set standards, expectations and moral principles. We are open, honest, ethical, and genuine; We are transparent and treat everyone with dignity and respect.

Teamwork

We create opportunities to collaborate, having a vested interest and actively supporting others to amplify our collective output. We keenly listen to all points of view, identifying basis for compromise and reach agreement, in order achieve of our shared objectives.

WE DELIVER

Our medical aid and healthcare businesses have operations in Gaborone, Francistown and Maun. In Gaborone, the MRI and Prime Health brands operate in Block 7, Airport Junction and Setlhoa Park, while the medical aid business operates from Fairgrounds Office Park.

Our medical aid products cater for a range of customers across various sectors including

the retail, financial services sector, mining, telecommunications, academic, manufacturing, tourism, utilities and retail sectors. We provide for parastatal, private, and public entities as well as small businesses and individuals. Healthcare services cater for retail, Government, parastatals, private and corporate clients as well as medical aid funds.



Products and services

We provide the following products and services:

Medical aid products

Medical aid products, covering a range of corporate profiles, income brackets, household sizes, and specific wealth needs.

Corporate wellness programmes

Corporate wellness programmes designed to assist our corporate clients to operate efficiently within the illness-wellness continuum. Known as Well@Work, the programme aims to help organisations maintain a healthy workforce, maximise productivity, reduce the rate of absenteeism and cut down on healthcare related costs. It is a standalone product available to the market at large and corporate members do not have to be with the Bomaïd medical aid fund.

Onsite & Emergency medical services

Onsite & Emergency medical services through a country-wide network of skilled paramedics, emergency doctors, nurses and emergency medical dispatchers with ambulance bases operating from Gaborone, Francistown and Maun.

Pharmaceutical products

Pharmaceutical products through the Prime Health brand of pharmacies. The pharmacy provides Managed Care services for medical aid funds for their members on chronic medication and stocks a range of chronic and acute medication as well as front shop products.

Network of clinics

Network of clinics offering quality integrated healthcare services that are affordable and easily accessible. Our aim is to provide convenience to our clients through one-stop medical clinics and personalised care that will leave long lasting impressions on all the lives we touch.

Training services

Training services, provided through the MRI Training Academy, which provides a variety of First Aid, Safety, and healthcare professional courses.

Call Centre Solutions

Call Centre Solutions providing services including quantifying sales leads, responding to ad hoc inquiries, market research, or general information requests, delivered in a timely and cost-effective manner.





Ownership structure

Bomaïd

Health & Happiness at heart



MRI is the sole non-listed investment held by Bomaïd. This is held through a 94% stake held by Southview (Pty) Ltd which is wholly owned by Bomaïd.



Ownership structure

Bomaid

Health & Happiness at heart

Bomaid

MEDICAL AID SCHEME



SouthView

SOUTHVIEW PTY LTD (100%)

MRIBOTSWANA LIMITED

MRI BOTSWANA LTD (MRIB) (94%)



MRI MEDICAL RESCUE



MRI ONSITE



MRITRAINING ACADEMY
excellence Through Training

TRAINING ACADEMY



PRIME CONNECT

PRIME HEALTH
(PHARMACY AND
MEDICAL CENTRE)





Chairman's Report

INTRODUCTION

First things first, our priority as Bomaïd is to make real on our promise to our Members and indeed society at large, working to provide diverse and leading-edge healthcare solutions through innovation and excellence.

Essentially, it is to ensure their health and happiness comes first, aligning ourselves as Bomaïd to ensure we proactively support members in this journey not only for medical wellbeing, but for holistic wellness. We recognise that being a companion in wellness goes beyond mere delivery of products and services; it is about being a partner, a confidante, and an advisor in ensuring healthier and happier people.



I am pleased to say that, while this journey is an always-on one, tremendous and transformative strides were made in the year under review. With the Isago Strategy, this builds on a strategic paradigm shift that the the Board greenlighted for Management to execute following the height of the Covid-19 pandemic, as the need for greater investment in health and wellbeing became, quite simply, a non-negotiable.

Post-Covid-19, we knew we had an uphill battle to face in recovery and rebuilding, containing revenue leakages, ensuring a strong, stable and robust Bomaïd that was in many ways re-enforced after the toll taken because of the pandemic. Internally and externally, we were able to step up to ensure we supported our people – Staff and Customers – and we fortified our own processes, protocols and ways of working with strategic partners. This included relief fund donation, full cover for the pandemic comprising testing,

consultations, evacuations, hospitalisation, home visits, treatment and vaccines, as well as opening the benefit up to Members who were not on health plans with hospitalisation cover. This was, without a doubt one of the easiest decisions we ever had to make, second only to that of our shift from curative medical support to curative wellbeing support. The proverbial seed for this was planted in 2021, and 2022 saw these start to germinate and sprout. This was not a small shift.

A PARADIGM SHIFT

Bomaïd invested significantly in aligning what we do and how we do it to what we anticipate will add greater value for our customers. This is with the constant appreciation that, as a non-profit entity, our customers are our shareholders. It is to them that we hold ourselves to account, and for them that we do what we do. It is to them that return on investment must be realised; this is two-fold. Firstly, it is through

93,211
Lives

41,711
Principal Members

Mr. Fergus Ferguson Board Chairperson



an outward ability to see consistently healthier, happier Members whose milestones we can celebrate, rather than simply being the grudge call for claims after largely stressful health issues. Secondly, it is to ensure that Management ensures prudent Fund management, enabling us to not only operate without issue, but to ensure a requisite reserve of funding to cushion us for future tough times. The reality of another health crisis in the offing – be it months or years – is one we are ever-mindful of. Our responsibility to our customers is to support them now as well as to ensure we are as geared as can be to support them always.

For this to be delivered sustainably, tangibly and effectively, I am pleased to see Management and staff leaned on the Values of Passion for Wellness, Accountability, Urgency, Consistency and Teamwork. Inherently a part of this has been a forward-thinking approach to how our industry has evolved, and how we as Bomaid are able to lead the charge in shaping a brighter future; the future we want. To that end, 2022 saw us reinforce our network or ecosystem of strategic health partners – including but not limited to MRI. It saw us leverage our robust strategy, Isago, which runs from 2022 to 2026.

BUSINESS MODEL EVOLUTION

The strategy necessitated a change in Bomaid's business model, transforming into an integrated entity that offers wellness solutions that contribute to the Sustainable Development Goals (SDGs) with particular emphasis on the holistic elements within SDG 3, Good Health & Wellbeing, as well as related effects and impacts on education, diversity & inclusion, work and economic growth and innovation & infrastructure development. Driving education on Non-Communicable Diseases (NCDs) and promotion of active involvement in sporting platforms as part of a culture of wellbeing, such as local marathons, are just two examples. This sees a focus on purpose, people, processes and product.

- **Purpose:** The Board of Trustees approved the more inclusive and expansive philosophy on health, happiness and wellbeing to go beyond "traditional" medical aid mandate. Innovation and technology are pertinent to this. The adoption of new technologies continues to be critical for Bomaid, leveraging new technology as a cornerstone of transformation. In 2020, Bomaid embarked on a major overhaul of systems to adopt and leverage new technology to unlock potential for growth and efficient service delivery especially for claims administration. These efforts continued well into the year under review as we leveraged technical capability to unlock growth and curb financial leakages. 2022 saw investment in our market first and indeed revolutionary Abby health stations. Abby makes use of digital transformation to provide real-time health screenings to enhance the diagnostic process, and to allow for transformative workplace and social wellness. The technology is, quite frankly, revolutionary, and Abby will form a core part of our customer and community outreach efforts during the year under review. In the future, we look to leverage this for more public education and access to healthcare and wellbeing in going beyond our customer base.

- **People:** This will comprise a restructure of the organisational structure, to ensure that we have right people in the right roles, and adequately empowered and trained to deliver. Though not an easy process, it was a necessary one. The restructure process commenced in earnest in 2023. Across our operations in Botswana is a collective of passionate, purposed, experienced and informed employees not only committed to ensuring, first things first, the health and happiness of our members, but in fact the wider wellbeing of our nation and her people. It is a service delivery as well as mindset shift, and one that saw us put the full weight of influence of the Board and expertise of Management to deliver.
- **Processes:** Governance and protocols have always been strong within Bomaid, courtesy of the sound stewardship of the Board and the incredible guidance of previous Board Chairs. In the period under review, I am pleased to say this was only enhanced further, and cascaded to the operational level, with management ensuring efficiency and efficacy to support the Bomaid purpose and vision, including having continued to unlock benefits of the newly invested in Thobo Fund Administration System. Clinical management is core to this too, with the period under review having seen greater attention towards supporting better health and wellbeing outcomes through more hands-on appreciation of Member needs and behaviours, made possible through more inclusive and agile processes within the Society.
- **Product:** In support of the above, the Board approved considerable research and insights-based work to ensure that all our plans, solutions and advisory to Members was on par with global best practice. From behavioural patterns of clinical interventions and Case Management and introspection on how our health plans may need to evolve to better meet and anticipate the needs of our Members. Work began on the health plans overhaul in 2022, and went to market in 2023, with our transforming wellness, holistic wellbeing, and inclusive mindset at heart, regardless of gender, age or demography. In fact, this also saw efforts towards attracting younger age groups to Bomaid by offering attractive lifestyle-focused services and products.





SOCIO-ECONOMIC CONTEXT

All efforts of Bomaid are, of course, set against the wider socio-economic climate of Botswana during the year under review. This was a period in which we continued to witness volatility, with subdued economic performance and inflationary pressures. These were driven by a series of headwinds that were largely related to the macro-effects of the impact of the war in Ukraine, global monetary tightening, persistently high energy prices, increased lending and rising inflation. The cumulative effect of rising costs of living and increasing health issues continued over from the pandemic (and more health-conscious populations as a result) were not insignificant. People – individuals and corporates – needed to balance the reality of medical aid no longer being a grudge purchase or a luxury but rather a necessity, and the fact that proverbial purse strings are already significantly burdened. This means trade-offs need to be made, and we sought to guide our current and potential members on the fact that health, happiness and wellbeing ought to be prioritised in this assessment.

OUTLOOK

We are confident in the continued growth of seeds planted in 2021 and 2022 and the positive impact these will see in the coming year. As the nature of medical aid support and indeed the wider healthcare industry transforms and evolves, we are confident in Bomaid's health balance sheet, as well as healthy balance sheet, empowering us to progress and grow. Botswana's GDP outlook and national healthcare investments remain fundamental to our strategic planning and the Board is alive to the risk management and due diligence strategies necessary to ensure sustainable progress and impact in line with strategic imperatives. We remain confident in the quality of oversight and fiduciary responsibility provided by the Board, in our close alignment with Management, and in the execution of a modern, nuanced and robust strategy.

APPRECIATION

As we continue to deliver progress from this blueprint, the Board thanks the Management and Staff of Bomaid, in whom we have full confidence under the purview of CEO, Moraki Mokgosana. We thank our Members for their continued trust in and loyalty to Bomaid when it comes, first things first, to their health, happiness and wellbeing. I thank all in our diverse ecosystem of stakeholders, from administrative and regulatory authorities to our strategic business providers and members of the media fraternity and, of course, the entire network of healthcare providers in our contract provider network.

This report also marks the end of my tenure as Chairman of the Board of Trustees of Bomaid, and indeed of my tenure on the Board itself, having completed 6 years as per our governance protocols and thus making way for fresh new thinking and capability in line with best practice. In this regard, I thank our former Board Chairman, Emmanuel Maite, for handing over the proverbial baton to me just a year ago, and with such guidance and ease of transition. I thank my fellow Trustees for making this role not only a rewarding one, but a truly enjoyable one. The Board has, with Management, worked through a period of tremendous volatility, and yet always persevered and emerged with grace and repute.

We are no doubt about to see a chapter of great progress for Bomaid and, we hope, for the industry and country at large. Bomaid remains privileged and proud to be a part of this, and to help shape healthier, happier lives for all.

Re a leboga.



04

PERFORMANCE

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Message from the Principal Officer

Performance overview King IV™ alignment

Message from the Principal Officer

INTRODUCTION

2022 is the first year of our Isago Strategy which is expected to run until 2026.

The strategy which seeks to transform the business model of Bomaid from a curative one to a preventative one will contribute to the aspirations of both the United Nations (through the Sustainable Development Goals) and the Botswana Government (for a multi-sectoral approach to prevent new HIV infections and reduce its burden and that of Non-Communicable Diseases). Central to this are the three pillars of Operational Excellence, Impact on Wellness and Financial Sustainability).



Despite the World Health Organisation (WHO) declaration of Covid-19 no longer constituting a public health emergency of international concern, a word of caution has been sounded that the threat still looms. The signs of economy recovery have carried into 2022 with a second successive year of Post Covid-19 economic growth.

Though lower than 2021 – at 5.8% against 11.9% - indications are that the economy is well on the path to recovery. Further hope is provided by the reduction in inflation to single digits reaching the 9.9% mark in March 2023 and defying the pressures from the fuel spikes caused by the Russia/ Ukraine conflict. While this is yet to translate to a creation of new employment opportunities, it provides hope for Bomaid that the threats to member retention and growth as a result of a dwindling household wallet size are dissipating.

The Bomaid business model has remained resilient and new customer enrolments in 2022 stood at 4,426 new Principal Members and 10,087 new beneficiaries enrolled in 2022. This has, however, been offset by resignations most of which were due to affordability reflecting the hardships that our customers continue to endure – even after Covid-19. We expect that the new generation health plans and revised pricing philosophy launched during 2023 will bolster the customer acquisition and retention efforts and support the initiatives to grow and diversify the risk pool with the flexibility afforded for greater choice according to affordability and healthcare needs.

On-off costs



P51.9m

10,087
New beneficiaries
enroled in 2022

4,426
New Principal
Members

P48.1m
Underwriting
position

Mr. Moraki Mokgosana Chief Executive Officer



Message from the Principal Officer

Performance overview King IV™ alignment

During the year under review, there were some one-off costs amounting to P51.9 million largely attributable to restructuring costs to align with the strategy and the settlement of some legacy claims for some healthcare partners. These costs, along with a slower than expected rebound in claims costs precipitated a deficit for The Fund resulting in a further decline in solvency to 33%.

The anticipated enforcement of the provisions of the Data Protection Act requires urgency for organisations to develop robust mechanisms to ensure the protection of personal data and the Medical Aid Funds Bill discussion has once again gained momentum.

OPERATIONAL EXCELLENCE

Customer satisfaction remains a key tenet of our strategic thinking. To this end, we continue to explore ways in which we can enhance our products and services to make them relevant to the market. While we hope that the new health plans will greatly enhance our growth ambitions, we are mindful that it is easier to keep an existing customer than it is to acquire a new one. We also take cognisance that our other internal and external stakeholders, as well as our healthcare partners have a bearing on our current and future customers and their affinity to our brand. It is for this purpose that we continually solicit feedback from our customers (who are also our members) through our biennial Customer Satisfaction Index (CSI) surveys. Our use of the Relational

FINANCIAL SUSTAINABILITY HIGHLIGHTS

<p>Membership</p> <p>↓</p> <p>41,711</p> <p>2021:42.635</p> <p>-2%</p>
<p>Member contributions</p> <p>↑</p> <p>P842.3m</p> <p>2021:P771.2m</p> <p>9.2%</p>
<p>Claims ratio</p> <p>↓</p> <p>93%</p> <p>2021:P102%</p> <p>8.8%</p>
<p>Administration cost ratio</p> <p>↑</p> <p>P17.2%</p> <p>2021:13.8%</p> <p>-19.8%</p>

Capital Reserve (RCR™) framework has allowed to broaden the scope of our target to the media, regulators, and other Government organs over and above the staff, customers and service providers. The survey also expands to perceptions about the leadership and financial stability which had not been previously measured. The findings have underlined opportunities for improvement pertaining to products and services and these will be addressed in 2023.

IMPACT ON WELLNESS

The shift from curative to preventive requires targeted interventions and engagements with the customer before and after diagnosis. The behavioural changes that aid in avoidance or delayed onset of NCD's include physical activity, diet and nutrition, and reduction of smoking and alcohol consumption. The acquisition of the Abby health stations is an important milestone towards health assessments and informing both funder and the member of the behavioural and clinical interventions that may be necessary through non-invasive technology and artificial intelligence (AI). The use of this technology and other AI tools allows for us to attain early detection, enrolment and implement management practices to aid in achieving the healthier and happier lives that our vision aspires to.



Message from the Principal Officer

Performance overview King IV™ alignment

FINANCIAL SUSTAINABILITY

The average age of our customers increased marginally from 42.8 years to 43.2 years in 2022 with the average beneficiary age being 30.16 years. Despite redundancies for some of our corporate accounts and challenges on affordability levels for medical aid subscriptions, Membership reduced by 2% to 41,711 while Member Contributions increased by 9.2% to P842.3 million. The claims ratio improved from 102% to 93%, while underwriting surplus increased from a P14.7 million deficit to a P48.1 million surplus in 2022. The administration costs ratio has increased from 13.8% to 17.2% mostly because of strategy implementation costs for the commencement of the Isago Strategy and a provision that was set aside for the people transformation and reorganisation scheduled for 2023.

The above highlights a need for increased uptake of our new health plans with the hope of greater enrolment among younger Principal Members to dilute the risk pool. Despite the marginal reduction in the customer base and pressure on affordability, the Fund has continued to experience topline growth. At the same time there has been an increase in the underwriting position of P48.1 million after offsetting P20.5 million for historical claims. Management is optimistic that, owing to the claim cycles and patterns returning to normalcy and the controls that have been implemented to curb fraud, waste and abuse, the Fund will experience an improvement in the solvency levels in 2023.

FOCUS ON OUR PEOPLE

Following from the implementation of the Thobo system in 2020, optimisation of key processes as well as digitisation and automation remain focal in enhancing internal efficiencies and improving the customer experience as well as financial stability. Further, the commencement of the Isago Strategy has provided an opportunity for realignment of the design of the organisation to support the strategic direction. A new organogram was approved by Board in 2022 and the process of populating the structure has commenced with the expectation that this will provide an opportunity to place resources where the greatest value can be realised for the benefit of the Bomaid customer.

OUTLOOK

As we complete the first year of the transformational Isago Strategy, we anticipate with great excitement a new dawn for Bomaid and look forward to the fulfilment of our vision of being a provider of diverse and leading-edge healthcare solutions through innovation and excellence. We remain buoyant with the expectation that the bedrocks are in place to position Bomaid for relevance in the transformation of the health and wellness agenda in Botswana. We must be mindful, however, that another proverbial rainy day is never too far away, and future proof the Fund by ensuring that we have our umbrella ready in the form of our solvency levels. As a responsible corporate citizen, we have embraced the principles of Environment Social and Governance (ESG) and will continue to pursue opportunities to fulfil our ESG mandate.

APPRECIATION

We are forever grateful for the vision and wisdom that we receive primarily from our Board under the leadership of our retiring Chairman, Mr. Fergus Ferguson whom we shall miss. We thank our past and present colleagues at the office whose resilience and fortitude we celebrate in getting Bomaid through so many milestones. To our partners in the provision of healthcare services and other support, we pledge to continue to grow together. Most importantly, we are forever grateful for the support and that our principals, who are our also our customers, and shareholders, offer to us.





Message from the Principal Officer

Performance overview

King IV™ alignment

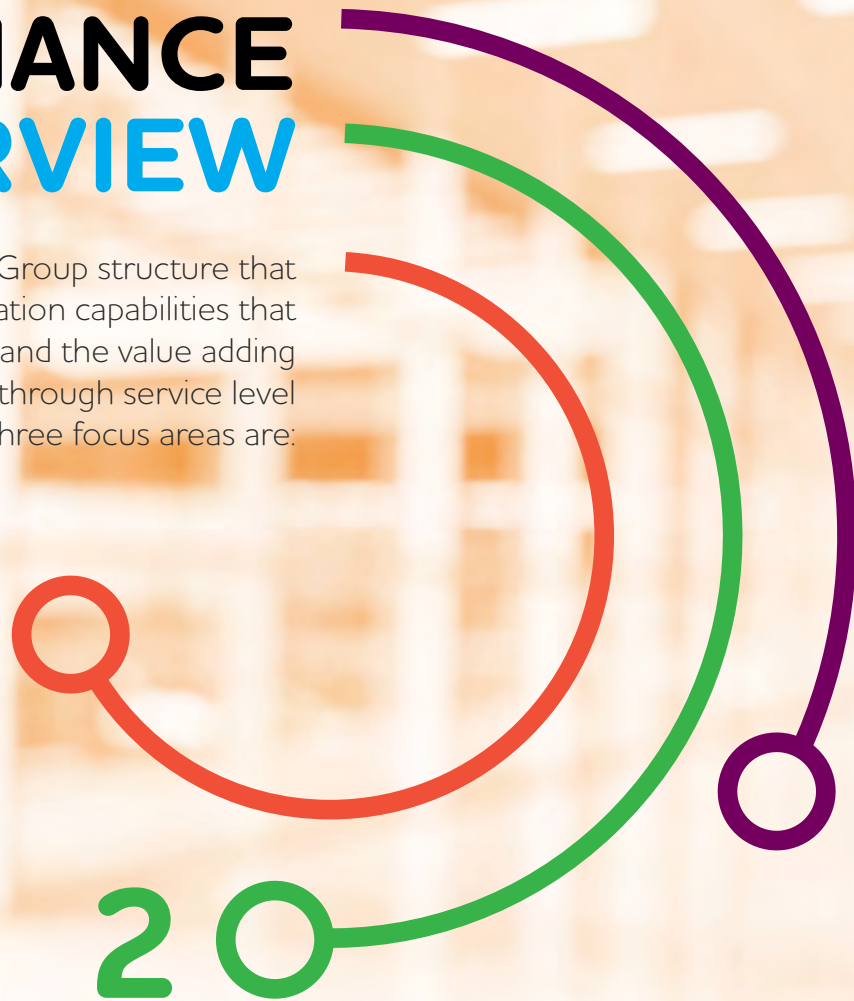
PERFORMANCE OVERVIEW

The Isago Strategy envisages a Group structure that leverages the fund administration capabilities that Bomaid has built over the years and the value adding partnerships that are managed through service level agreements (SLA's). The three focus areas are:

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FINANCIAL SUSTAINABILITY.
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IMPACT ON WELLNESS
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1
OPERATIONAL EXCELLENCE
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Performance Overview

Across the Group, we continue to focus on the realisation of our vision to be a companion for wellness and health through the delivery of healthcare solutions through innovation and service excellence. The Isago Strategy envisages a Group structure that leverages the fund administration capabilities that Bomaid has built over the years and the value adding partnerships that are managed through service level agreements (SLA's). The three focus areas are Operational Excellence, Impact on Wellness and Financial Sustainability. Following the declaration of the end of Covid-19 pandemic as a public health emergency, the Board and Management are comfortable that the fundamentals required for the Isago Strategy to become a success are in place.

Operational Excellence		Impact on Wellness				Financial Sustainability
BRAND AFFINITY	PARTNERSHIPS	HUMAN CAPITAL	PRODUCT DEVELOPMENT AND INNOVATION	DATA & TECHNOLOGY SYSTEMS	QUALITY PROCESSES AND PROCEDURES	FUNDING
<ul style="list-style-type: none"> • Relational Capital Reserve survey™ at 62% Baseline. • Commitment to improving on Emotional Appeal and simplified communication on Products and Services. • Loyalty and Wellness Programmes to be enhanced • ESG Self-Assessment completed • Automation of key process to improve turnaround times • 20,000 screenings targeted for 2023 to allow for member profiling and targeted interventions • Stakeholder Engagements ongoing 	<ul style="list-style-type: none"> • Contracted Provider Network tender and consultations commenced • Dental claim recoveries amounting to P1,265,406 through partnership with SHS Botswana • Finalisation of contracting, benefits and protocols for optical claims with PPN for implementation in 2023 • MOU's and MOA's being explored with other value add partners • Loyalty partnerships: • Running shoe promotions with Grip Runner • Health and Wellness Campaign with Mosha Spa • Khwai CSR collaboration with Mosha Spa and ABC Foundation • Diacore Marathon Activation with Stanbic Bank • Fit for Life Campaign with the BIHL Trust. 	<ul style="list-style-type: none"> • Training completed in preparation of insourcing hospital claims adjudication • Approval of new organisation structure and relevant supporting policies and frameworks for implementation to commence • Culture fit and change management ongoing in line with new values • Talent Framework being developed • Diversity and inclusion will be considered in recruitment of new employees 	<ul style="list-style-type: none"> • Project Isago completed • 4 new health plans approved by Board • 16 benefit options available to Members from January 2023 • Low-cost benefits included • Digital Screening Technology acquired for introduction in 2023 • Covid-19 vaccine benefit introduced. 	<ul style="list-style-type: none"> • Bomaid App available on iOS and Android for self-service • IT Strategy is being reviewed to allow for acceleration of Digital Transformation • Artificial Intelligence Machine Learning and Data analytics will be key. 	<ul style="list-style-type: none"> • Key Finance processes automated • 4 internal audit reports (2 Weak and 2 Limited Concern) • Governance Risk and Compliance (GRC) Action plan and self-assessments in progress • Know Your Customer (KYC) and data clean-ups ongoing. 	<ul style="list-style-type: none"> • Member contributions up by 9.2% from P771.2m to P842.3m • Group revenue up 7.6% from P898.5m • Scheme deficit down from P101.9m to P81.3m • Group deficit down from P102m to P93m • Solvency down from 48% to 33% • Claims ratio down from 102% to 93% • Admin costs increase from P102.8m to P141.8m • Admin ratio increase from 13.8% to 17.2% • Restructuring costs provided for at P27m • Financial Controls being implement to manage cost drivers and accelerate recovery • MRI performance management in progress • 9.8% reduction in Investment income from P18.1m to P16.3m.



OPERATIONAL EXCELLENCE

Overview

Through the years, the needs of the medical aid customer has evolved calling for Bomaïd to optimise its delivery of services to clients. This calls for an agile model of service delivery and, therefore, creates challenges for medical aids, as well as opportunities, for them to reinvent themselves. As a result, in our new strategy Bomaïd has committed to optimise its delivery of services to promote customer attraction and retention. With this in mind, through the Isago Strategy we seek to realign our core systems and processes to improve the customer service experience, performance and ensure its delivery effectiveness. To this end, we recognise the stability of our core as the most critical and urgent priority for propulsion towards the vision of being the companion for healthier and happier lives. Critical to this is a continuous review of our value chain to analyse internal activities that are most valuable and have potential to enhance our competitive advantage while at the same time eliminating those that are redundant and detract value.

We also seek to have a product and a new business pipeline that will assist in the attraction of new clients to continue to grow our market share and neutralise risk. Despite the losses of membership due to Covid-19 and redundancies that followed, we are happy that we were able to onboard 4,426 new members in 2022 and maintain our market share at 54% of the open medical aid funds. With this in mind, we will continue to enhance our business development and relationship management capabilities as well as our product positioning and branding initiatives to attain a positive impact in placing Bomaïd on top of the minds of prospective and existing clients. We trust that through our new suite of products, we will continue to see membership growth as the economy continues to recover creating more job opportunities and freeing up disposable income as well as medical aid penetration increases.

Environment, Social and Governance (ESG) is a framework that is used to encourage organisations to consider environmental and social issues in the context of corporate governance. As a responsible corporate citizen, Bomaïd has embraced the principles of ESG and has committed inculcate this into our operational processes.

Highlights

The introduction of new generation wellness based health plans is critical towards the achievement of improved affinity towards the Bomaïd brand. During 2022 a project team was assembled to conduct the necessary research and development for these new health plans. Subsequently, The Board of Trustees approved four (4) new health plans which are branded as Access, Comprehensive, Executive and Prestige. Through these health plans, customers have been afforded an opportunity to select from sixteen (16) options depending on whether they require a more curative or preventive solution. These products which are underpinned by a basic health package were launched in the market for the 2023 benefits year and made immediately available for new client who are onboarding. It is expected that during the latter stages of the year, existing customers will be engaged with the view to offer an opportunity for migration into a solution that is suited to their specific needs.

In a bid to partner with the healthcare professional to improve the health outcomes, a tender was floated for health care practitioners to sign up for the Contracted Provider Network. It is envisaged that through this, customers will be afforded an opportunity to nominate health practitioners who will work collaboratively with the patient/customer. In return the customers will be incentivised for better clinical management and improved outcomes.

A brand perception survey was conducted in the form of a Relational Capital Reserve (RCR). While we have historically conducted a biennial customer satisfaction survey, this change in approach followed from negative events that unfolded with one of our healthcare partners in 2022 that were deemed to be detrimental to the Bomaïd brand. The RCR seeks to ensure that we proactively invest in reputation management and setting Bomaïd up for mitigating the potential impact of future negative scenarios. By appreciating the baseline of Bomaïd RCR, expectation is that insights led strategic efforts can be managed to improve the RCR score and, ultimately, brand affinity. Three stakeholder groups (Internal staff, External customers, and Regulators) were identified and interviewed on their perception on the Vision and Leadership at Bomaïd, the Emotional Appeal of our brand, the suitability of our Products and Services, Financial Performance, Workplace Environment and Corporate Social Investment (CSI/CSR). A baseline score of 62% was achieved with the areas of Emotional Appeal and Products and Services highlighted as the biggest opportunities for improvement.

An ESG self-assessment was conducted during the year. The purpose of the assessment was to analyse Bomaïd's state against the key foundational concepts in order to establish a starting point for implementation of the framework. From this assessment areas for development were identified and Management committed to make the changes necessary to drive ESG over the strategy period.



Operational Excellence (continued)

Challenges

During the year, there were two occasions where Bomaid was dispute with Sidilega Private Hospital over the settlement of amounts that were payable between the two parties This resulted in negative public sentiment and attracted the attention of the regulators and were worrisome to a variety of stakeholder because of the underlying insinuations of Bomaid's financial sustainability. Bomaid and Sidilega have agreed to resolve these financial differences through arbitration as provided for contractually.

Outlook

To improve our Relational Capital Reserve (RCR), we will continue to realign the products and services to be more appealing to attract the more youthful demographics. Additionally, we will continue to invest in relationship management and refine our client management processes by leveraging on customer relationship management technology and improving on our customer self-service technology for improved turnaround times. In order to create a better emotional connection with our clients, emphasis will be put on creating channels of communication between our internal clinical staff and customers who are in need or are receiving clinical care. This will be done through a combination of enhancements of our Thobo system and developments of middleware and deployment of other technologies to be integrated into our core health administration platform. Additionally, it is envisaged we will be championing wellness campaigns as well as introducing new wellness-based loyalty programme to augment our new health plans and to support our vision.

Following from the approval of the organisational structure by the The Board of Trustees, work has commenced to bring new talent into the business to support the strategic objectives. Key to this is the split of the function of the office of the Chief Operating Officer into fully fledged Customer Experience and Clinical Departments. Through collaboration with our partners in health risk management and other administration support contracts, the transfer of skills and the enhancement of our capabilities will continue to be a focus area. Efforts will be made to retain our talent and keep them engaged and motivated through various our talent management strategies. Further to this, our talent management strategy will be critical for the enhancement of the of our high performance culture which will continue to be underpinned by a robust performance management system. Performance Management will extend to third party providers through the management of service level agreements (SLA's). Succession planning will continue to be central to our strategic discussions with the organisation at both a Board and tactical levels.





IMPACT ON WELLNESS

Overview

For the Bomaid value proposition to remain relevant, and for the growth of the fund as well as its long term sustainability, the strategy proposes for a shift from a curative approach to a preventative approach to healthcare funding. By improving the wellness factors of our customers, it is our intention to to promote healthy lives and promote to well-being as envisioned in the United Nations Sustainable Development Goal 3. This also seeks to align with the objectives of the National Aids and Health Promotion Agency (NAHPA) for a multi-sectoral approach to prevent new HIV infections and reduce its burden - as well as that of Non-Communicable Diseases (NCDs). To this end, Bomaid seeks to reorient its products, systems and processes to promote wellness offerings that excite, energise and inculcate a healthy lifestyle. Ultimately, through our brand leadership, we anticipate a repositioning of the industry towards wellness and health.

Highlights

Critical to the development of targeted wellness interventions and being able to assess the extent to which we will be able to move the dial is an appreciation of the profile of our members base. This will require robust screening and data collection strategies. This too, will provide a baseline that will assist us in crafting and implementing strategies to reach the target of 90% healthy lives by 2026.

To support this audacious strategic goal, strategi partnerships will need to be fostered and the use of loyalty partnerships and gamification will be deployed to influence behavioural change that is required for improvements in the quality of life. Product development will continue to be supported by data and our research and data mining will assist us in the creation of innovative solutions wellness programmes through Bomaid staff members. Proof of concept and product sampling will continue through internal staff initiatives with staff participating in physical wellbeing activities (including wellness days and the introduction of a running club) as well as staff mental health.

In order to manage the wellness of our customers and craft targeted interventions, a starting point is to conduct health screenings. During the year, we invested in 3 Abby health screening stations. The stations conduct rapid non-invasive health screenings and, through a combination of measurements and self-reported indicators, allows for personalised AI driven interventions. These screenings, which last a few minutes, are expected to enhance and provide data targeted interventions to allow for informed individual decision-making and lifestyle modification for a healthy lifestyle.

Challenges

While the business of medical aids is regulated by the Non-Banking Financial Institutions Regulatory Authority (NBFIRA) which reports under the Ministry of Finance and Economic Planning, the provision of healthcare services is regulated under the Public Health Act which falls under the Ministry of Health. This has proven to undermine the regulatory framework around the eco system as there is a risk of fragmentation in the development and implementation of policies and little collaboration at policy and implementation level which causes discomfort for medical aid in planning and implementation of strategies. This is further complicated when other regulators from other government bodies use other instruments that conflict with those of the primary regulator. Following from a notice of enquiry by the Competition and Consumer Authority, an appeal case has been placed before the courts to solicit further clarity on the mandate of the authority on medical aids.

Outlook

In order to continue to craft appropriate clinical interventions and products and services to have an impact on the wellness of our customers and the broader populace, a significant resources will continue to be dedicated in 2023 to intensifying the screening of our customers through traditional methods and the adoption of other technologies. Apart from the Abby system, other AI enabled technologies will be utilised, e.g optical patients can be screened for diabetes. Bomaid will be looking to foster relations with other technology partners to further this cause. Bomaid will strategically promote a balance of both curative and primary care through evidence-based cost-effective models of care that is continous, promoting self-care and optimising individual health to remain economically active.





FINANCIAL SUSTAINABILITY

Overview

Despite the surge in the claims experience over the last 2 years as well as the lacklustre performance of MRI, the fund still remains in a healthy financial position with solvency levels still at 33%. Fund growth will remain key to the long-term sustainability of the Fund. To achieve this requires vigilance in the management of fraud, waste and abuse, contracting with our partners, robust underwriting processes and a balanced approach to pricing and funding the best outcomes for improved quality of life for our customers.

In line with proposed legislation, our pricing strategy will continue to be community based while loading premiums for previously uncovered customers over the age of 35 and offering reprieve for child dependents. Though the claims experience improved during the year following from the reduction in Covid-19 cases and the increased uptake in vaccines, the improvement was countered by an increase in elective procedures and some supplier induced behaviour.

Bomaid also seeks to continue to have a disciplined approach to the management of its investments to meet both its long-term and short-term claims obligations.

We are confident that Management has taken learnings from the financial leakages that have arisen from fraudulent claims and over-servicing and will continue to take necessary steps to combat this behaviour by implementing controls and enforcing protocols.

Engagements have continued during the course of 2022 with prospective partners for the dilution of Bomaid's interest in MRI. Following a period of exclusivity and due diligence with a local medical aid fund administrator, the discussions subsequently collapsed and engagements have continued with other prospective suitors. In order to support the business, the Bomaid Board approved an interim capitalisation for the sum of P47 million, of which P12 million has already been disbursed.



“In order to support the MRI business, the Bomaid Board approved an interim capitalisation for the sum of P47 million of which P12 million has already been disbursed.”



Financial Sustainability (continued)

Highlights

During the 2022 financial year, progress was made in automating some key processes in credit control and billing.

At the end of 2021, The Board approved the appointment of a dental risk company to assist in containment of the runaway dental costs which continued to escalate even at the height of Covid-19. The expectations that these aerosols-based dental treatments would reduce in 2020 and 2021 were not met when the costs continued to escalate unabated.

Over and above the implementation of controls, there were recoveries of over P1.2 million of fraudulent claims and subsequent termination of contracts of some practitioners. Further opportunities for implementation of controls have been identified for optical, pharmaceuticals, outpatient and rehabilitation therapy and will be implemented during the course of the 2023 benefits year. Opportunities have also been identified for enhancement of claims process and it is anticipated that the revamped processes will assist in ensuring correct claims pay-out levels.

The recovery from Covid-19 was slowed by a P51.9 million of the following one-off costs:

Previous year (2021) claims under provision in 2022	P10.7m
Restructuring costs	P27.2m
Impairment of investment in MRI	P2.7m
Settlement of provider legacy claims	P9.8m
Corporate advisory services	P1.5m

Challenges

The implementation of controls never comes without resistance despite prior consultations and attempt to get buy-in. This resistance evolves into a backlash from the customers that requires proactive management from Bomaid to ensure the good intentions of the medical aid are not perceived in a bad light.

Fraud, waste, and abuse and their impact on the Fund and the industry will always remain a cause for concern. As the various partners seek to recover from the adverse effects of the social distancing measures that were implemented at the height of the pandemic, Management must remain vigilant against supplier induced demand as well as overservicing and fabricated transactions.

The performance of MRI remains a cause for concern. Despite the injection of an initial P12 million into the business to keep it afloat pending outside funding, the performance of the business has continued to deteriorate culminating in a P2.7 million write-off of the asset in the books of Bomaid. This has prompted the Boards across the Group to demand immediate interventions to improve the performance of the subsidiary while negotiations continue with prospective buyers.

Outlook

The implementation of other claims categories is expected to come into effect in the year 2023. As a registered Society, Bomaid has been exempt from registration for income tax. This has resulted in the Fund being unable to claim VAT charged for medical services and, thereby, having to absorb these costs. We have been encouraged by the change in the Value Added Tax (VAT) legislation exempting private medical services from VAT and are bullish about the impact on our claim costs experience along with the direct consequence of removing VAT as an out of pocket expense for our customers. With our new generation of health plans, we are also encouraged that this will assist in enhancing our value proposition to younger customers and attract the uninsured, thereby diluting our risk and aiding our growth ambitions.





King IV™ Alignment

In this section, we demonstrate our application of the King IV Code Principles during the year. We aim to increase our implementation of these principles across the Group as we go forward.

King IV Focus Area	King IV Principle	Governance Report 2022
LEADERSHIP	1. The governing body should lead ethically and effectively	<p>The Bomaid Board of Trustees, working closely with the Executive Management, has committed itself to high levels of ethical leadership, integrity, and good governance.</p> <p>The Board holds the view that for the Group to remain and continue being sustainable, and a key stakeholder in the health care industry, it must provide the necessary oversight to ensure that the Society has a solid reputation.</p>
ORGANISATIONAL ETHICS	2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	<p>The ethical approach adopted by Bomaid involves leading Employees to build good relationships based on respect and trust. The Board is confident that leading with integrity, honesty, fairness, equity, justice, and compassion result in sustainable success. With these standards having been set and leadership living by them, the entire organisation is expected to follow suit.</p> <p>Issues relating to integrity, honesty, fairness, equity, justice, and compassion have been addressed in the Conditions of Service for Employees, Whistleblowing Policy and the Code of Conduct for the Board of Trustees to align the culture to the values of the organisation.</p> <p>The two documents clarify Bomaid’s mission, values, and principles, linking them with standards of professional conduct and they also serve as a valuable reference on issues relating to ethics within the organisation.</p>
RESPONSIBLE CORPORATE CITIZENSHIP	3. The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen	<p>The Board has delegated to the Finance, Risk and Audit Committee the responsibility for monitoring and reporting of ethical and sustainability practices that are consistent with responsible corporate citizenship.</p> <p>Group codes of conduct are monitored across the Group and all employees are required to maintain the highest ethical standards in ensuring the business is conducted in a manner that in all reasonable circumstances is above reproach.</p> <p>In order to incorporate environmental and social factors into the governance approach and to further align with the principles of responsible corporate citizenry, The Board has approved the adoption of the Environmental, Social and Governance (ESG) Framework.</p>



King IV Focus Area	King IV Principle	Governance Report 2022
STRATEGY AND PERFORMANCE	4. The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	<p>The Board of Trustees remains responsible and committed to setting the Group's strategic direction, developing key policies, approving budgets, monitoring implementation of the approved strategy and ensuring that there is full compliance with all regulatory requirements.</p> <p>The Board, in determining strategy, considers its material inputs and their usage, together with how the Group's activities and outputs contribute to positive sustainability outcomes. In this report, we have articulated our value creation process and performance, as well as our material matters, risks, and opportunities.</p>
REPORTING	5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium, and long-term prospects.	<p>The Board is assisted by the Finance, Risk and Audit Committee in reviewing and approving the integrated report. The report is prepared in line with recognised local and international guidelines including International Financial Reporting Standards (IFRS), the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework, the reporting principles contained in King IV and NBFIRA guidance.</p> <p>The Board is comfortable that this integrated report provides a comprehensive view of the Group's performance.</p>
PRIMARY ROLE AND RESPONSIBILITIES OF THE GOVERNING BODY	6. The governing body should serve as the focal point and custodian of corporate governance in the organisation.	<p>The Book of Rules entrusts the Board with control and supervision of the general business of Bomaid.</p> <p>The Board is the focal point and custodian of corporate governance in the organisation and has committed itself to the highest standards of corporate governance through adopting and applying the principles enshrined in the King IV Code and adhering to the Board Charter which outlines the Board's duties and responsibilities.</p> <p>The Trustees have a fiduciary duty to administer the assets of the Fund with due skill and care. The Board is, therefore, accountable to the Members of The Fund, who are beneficiaries of the assets from the Fund. The Board of Trustees is duty bound to act in accordance with the Book of Rules, and in its best interests always.</p>
COMPOSITION OF THE GOVERNING BODY	7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively.	<p>The Nominations Committee considers, on an annual basis, the composition of the Board. Their considerations include the balance of knowledge, skills, and experience, together with the level of independence required for The Board to function effectively.</p> <p>We have included additional disclosures on the Board composition in the Our Governance section of this report.</p>



King IV Focus Area

King IV Principle

Governance Report 2022

COMMITTEES OF THE GOVERNING BODY

8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.

The Society's Book of Rules and Board Charter provide for the establishment of designated Board Committees, to assist the Board with delivery of its mandate. The Book of Rules and Board Charter provides that the Board of Trustees may delegate some of its powers to these designated Committees and this is in accordance with good corporate governance standards. The delegated authority of Committees is express, and the Committees work in line with the terms of reference as provided in the Committee Charters. The Committees are mandated to make recommendations of their final decisions to the Board of Trustees for approval.

The Nominations Committee:

- Reviews the Board Committees
- Makes recommendations on composition of the committees
- Makes recommendations to The Board on skills sets which contribute to the effectiveness of the committees and the distribution of the balance of power
- Considers whether the existing committees allow the Board to properly discharge its duties.

The delegation of authority to Committees does not absolve nor transfer any of the responsibilities of The Board to the respective Committees, and the Board remains ultimately accountable to the Members of the Fund.

The Board Committees comprises:

- Investment
- Finance, Risk & Audit
- Benefits, Appeals & Service Quality
- Human Resources
- Nominations Committee.

EVALUATIONS OF THE PERFORMANCE OF THE GOVERNING BODY

9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair, and its individual members, support continued improvement in its performance and effectiveness

The Nominations Committee supervises the nomination process of Trustees to the Bomaid Board and Directors to Bomaid subsidiaries.

Additionally, the Committee oversees and make appropriate recommendations on Trustee's training needs and governance issues.

The Board evaluation conducted in 2020 assessed the performance of the Board. During 2021 we made progress in addressing areas for improvement. A further assessment will be conducted in 2023.



King IV Focus Area	King IV Principle	Governance Report 2022
APPOINTMENT AND DELEGATION TO MANAGEMENT	10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	The Board has delegated authority to the Chief Executive Officer to run the day-to-day affairs of the Group, subject to a delegation of authority framework, which details levels of authority and governs sub-delegation.
RISK GOVERNANCE	11. The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	<p>The Finance, Risk and Audit Committee assists The Board in discharging its duties of managing The Society's internal controls and risk management systems. The Committee continuously reviews reports on management of internal controls & risk management and makes the requisite recommendations to the Board for approval.</p> <p>Across the Group, risk management practices include the proper delegation of responsibilities, effective accounting procedures, and adequate segregation of duties to ensure an acceptable level of risk.</p> <p>The focus of risk management in the Group is on identifying, assessing, managing, and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems, and ethical behaviour are applied and managed within predetermined procedures and constraints.</p>
TECHNOLOGY AND INFORMATION GOVERNANCE	12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives	<p>The Board is cognisant of the importance of technology and information as it is interrelated to the strategy, performance, and sustainability of the Group.</p> <p>The Finance, Risk & Audit Committee is responsible for information and technology governance in accordance with King IV. The Committee oversees the implementation of IT governance mechanisms, IT frameworks, policies, procedures, and standards to ensure the effectiveness and efficiency of the Group's information systems.</p>
COMPLIANCE GOVERNANCE	13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The Finance, Risk and Audit Committee assists The Board in its monitoring and evaluation of the adequacy and efficiency of internal control systems, accounting practices, information systems and auditing processes applied in the day-to-day management of the Group in compliance with all applicable legal requirements, corporate governance, and accounting standards.



Message from the Principal Officer Performance overview King IV™ alignment

King IV Focus Area	King IV Principle	Governance Report 2022
REMUNERATION GOVERNANCE	14. The governing body should ensure that the organisation remunerates fairly, responsibly, and transparently to promote the achievement of strategic objectives and positive outcomes in the short-, medium-, and long term.	The Human Resource Committee advises the Board on Human Resource policies and strategies, including remuneration and the appointment of officers of Bomaid. In addition, the Committee is charged with reviewing and offering counsel on the status of the Group's human intellectual capital to ensure that the Group continues to attract, retain, motivate, and reward employees appropriately to ensure they achieve key organisational objectives.
ASSURANCE	15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation's external reports	The Finance, Risk and Audit Committee assists the Board to provide a forum for communication between the Board, Management, the Internal and External Auditors. It also oversees the selection process and recommends the appointment of the Internal and External Auditor, as well as reviews and confirms the independence of the Internal and External Auditor.
STAKEHOLDERS	16. In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interests of the organisation over time	This Benefits, Appeals & Service Quality Committee assists the Board in carrying out its responsibility to assess adequacy of benefits, ex-gratia appeals and to foster a culture of service excellence. The Committee ensures that the Fund fulfils its mission of providing competitive and diverse health care funding through innovation and service excellence while at the same time maintaining an appropriate balance between compassion, fairness, and fiscal realism.





05

GOVERNANCE

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Our Board



Fergus Ferguson
Chairperson
Non-Executive



Oaitse Ramasedi
Deputy Chair
Non-Executive



Moraki Mokgosana
Principal Officer/Chief Executive Officer
Executive



Dr. Refeletse Lebelonyane
Trustee
Non-Executive



Julius Ghanie
Trustee
Non-Executive



Letlhokwa Motladiile
Trustee
Non-Executive



Dr. Botho Mhozya
Trustee
Non-Executive



Leroy Klein
Trustee
Non-Executive



Keetsemang Nkoko
Trustee
Non-Executive



Tshephang Loeto
Trustee
Non-Executive



Leadership

Executive Management

Governance overview

Executive Management



Moraki Mokgosana
Principal Officer/Chief Executive Officer

Galeboe Busang
Chief Finance Officer



Gothatamang Kootlole
Chief Human Resources Officer

Musa Nleya
Head of Legal Services

Thatayothe Mohutsiwa
Head of Information Technology (Acting)



Governance

The Bomaid Board of Trustees is the highest governing body, which is responsible for ensuring that the Group is led in an ethical and responsible manner.

Our governance approach is supported by our core values of teamwork, urgency, consistency, passion for wellness, and accountability. Good governance supports the achievement of our strategic objectives and our long-term sustainability. In addition, our governance approach contributes to ensuring the governance outcomes of an ethical culture, good performance, effective control, responsible corporate citizenship, and legitimacy. Our actions set the tone throughout the Group by demonstrating our commitment to integrity, trust, long standing relationships, sustainability and the reputation of Bomaid.

The ethical approach adopted by Bomaid involves leading Employees to build good relationships based on respect and trust. The Board is confident that leading with integrity, honesty, fairness, equity, justice, and compassion result in sustainable long-term success. With these standards having been set and leadership living by them, the Group is also expected to espouse and emulate. Issues relating to integrity, honesty, fairness, equity, justice, and compassion have been addressed in the Internal Policies, Conditions of Service for Employees, and the Code of Conduct for the Board of Trustees to align the culture to the values of the organisation. The documents clarify Bomaid's vision, mission, values, and principles, linking them with standards of professional conduct and they also serve as valuable reference on

issues relating to ethics within the Group. Contracting on adherence to the values of the organisation by Employees is done during performance contracting for the year with an appraisal done biannually.

Appropriate governance checks and balances are in place, and we remain committed to our code of ethics, which is a key tenet of our governance efforts. Our governance efforts extend beyond achieving regulatory and legislative conformance, towards ensuring that The Board performs and adds value to the Group and the broader society through its oversight, leadership, and strategic guidance.

Having recognised the need to have a strong risk management process, the Board has put in place a framework, policies and practices that will ensure that Bomaid remains competitive and sustainable. The Board of Trustees remains responsible and committed to setting the Group's strategic direction, developing key policies, approving budgets, monitoring implementation of the approved strategy and ensuring that there is full compliance with all regulatory requirements. These responsibilities are achieved through a systematic process of comprehensive reporting to the Board of Trustees & functional Sub Committees, and The Board is responsible for ensuring that reporting standards conform to the principles laid out in the organisation's Book of Rules and

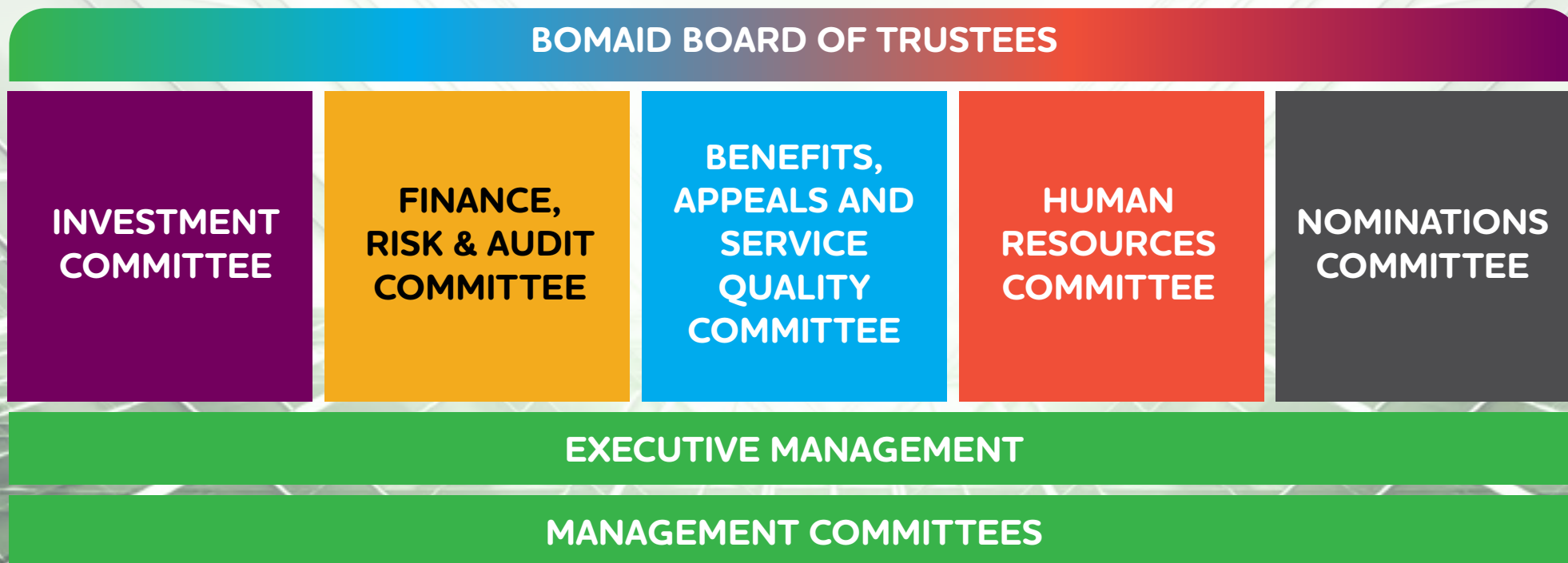
other locally and internationally recognised reporting codes.

The Board of Trustees remains committed to supporting good governance as the benefits of ethical leadership and a well-run Fund accrue to the Members who are also the Customers of Bomaid. The Book of Rules entrusts the Board with control and supervision of the general business of the Group. Good governance and leadership increase stakeholder confidence and enables better decision making for the benefit of Customers. It also leads to lower staff and customer turnover, higher productivity, better wellness, and loyalty. The Trustees are satisfied that they have fulfilled their responsibilities to administer the assets of Bomaid with due skill and care, and in accordance with its governing documents for the reporting period. The Board delegates authority for management of the Group's activities to the Executive Leadership and is comfortable that the delegation of authority framework ensures a clear division of responsibilities between Management and the Board and that no Executive has unfettered authority. There is also a clear division of responsibilities between the Chief Executive Officer and Board Chair, and Trustees. The Board subscribes to the principles contained in the King IV report and our application of the principles and practices is disclosed in this report.





The governance structure for Bomaid during the reporting period was as follows:





GOVERNANCE OUTCOMES

The past year’s environment has necessitated increased oversight and action from the Board of Trustees to continue achieving a rebound from the effects of Covid-19. We have come through the challenging period of the pandemic having provided direction to the Executive that has been implemented and is expected to result in enhancement to our performance. Below we highlight a few of the key governance actions and how they have been implemented.

WHAT WE SAID WE WOULD DO IN 2022

OUR DELIVERY ON OUR COMMITMENTS

Closure of BAOA Governance review findings

Items from the review have been addressed save for the appointment of a second Executive on the Board of Trustees which will be tabled at the 2023 Annual General Meeting

Enhancement of control environment

The Risk and Compliance function continues to support the Executive and Board. Significant progress has been made in closing internal and external audit findings.

Contracting with Service Providers

Contracting commenced with healthcare practitioners in northern and north western Botswana and is expected to extend to other regions in 2023.

Profiling of High Claiming Service Providers

This continued in 2022 extending from dental to the pharmaceutical, optical, and general practitioners.

Introduction of clinical controls

A dental risk management company and optical risk management company were appointed to assist Management with clinical controls. Additional controls for hospital admissions commenced during the year. Additional controls were also considered for pharmaceutical and outpatient benefits and the Board anticipates that these will bear fruit in 2023.

Process automation and optimisation

Finance workflows including bank reconciliations were optimised and the registration of the Bomaid App on iOS was completed resulting in members having access to the App on all smart phones.

Compliance to NBFIRA Legislation

Engagement with NBFIRA continued on the Medical Aid Funds Bill through the industry association, Health Funders Association of Botswana (HFAB).

OTHER GOVERNANCE ACTIONS TAKEN DURING 2022

WHAT WE ACHIEVED

Implementation of the Data Protection Framework

Phase 1 being stakeholder engagements and alignment, gap analysis, policy review and creation, staff training, and the performance of a data risk assessment to identify risk exposures were undertaken. Phase 2 being development of the Data Protection Act Compliance Framework also commenced, the outcome of which will be a comprehensive report that will be submitted to the Data Commissioner for assessment of Bomaid’s compliance to the Act.



Governance Outcomes (continued)

OTHER GOVERNANCE ACTIONS TAKEN DURING 2022

WHAT WE ACHIEVED

Reinforcement of Cyber Security in the organisation

Governance on Cybersecurity has been strengthened and Employees are subjected to an annual online cyber security training. Cybersecurity Intelligent tools have been implemented and a security operation centre has been established to monitor the cyber security environment on a 24/7 basis.

Annual cybersecurity penetration is being conducted to test resilience of Bomaid cyber environment, and any potential vulnerabilities are being addressed.

Implementation of IRFS 17

A Gap analysis of the Bomaid environment was concluded and this included a review and assessment of contracts as well as ensuring readiness to adoption of the standard.

Re-organisation

Following approval of the 2022-2026 Strategy, a new organisational structure geared towards mobilising resources to execute and achieve the organisational goals was approved.

Trustee development and orientation

Trustees and the Executive Management participated in a Trustees Development Programme hosted by the Board of Health Funders of Southern Africa (BHF) covering, among other things: Laws relating to Medical Aid Funds, Roles and Responsibilities of Trustees, Protection of Personal Information, Health Governance and Cyber Security.

Review of Board Sub Committees.

The Scope of the Risk and Audit Committee was expanded to include the quarterly financial performance review of The Medical Aid Fund. This reduces duplication with the Investment Committee thereby allowing for better focus on investment performance.





GOVERNANCE FOCUS AREAS FOR 2023

Following from a Board Strategy review session in May 2023, the Board has recommitted to the three themes that underpin the strategy: Operational Excellence to improve the Customer Experience, Impact on Wellness and the Financial Sustainability of the Fund. Therefore, in addition to continuing oversight on the above, the Board Sub Committees will pay increased attention to the below:

RECOVERY FROM COVID-19

On the 5th of May 2023, The World Health Organisation Director – General declared the end to Covid-19 as a global health pandemic. At the same time, he stressed that this did not mean the end to the disease being a global threat and underlined the importance of remaining cautious.

In 2021, Bomaid recorded an unprecedented medical aid fund deficit of P101.9 largely owing to Covid-19 related pay-outs. Despite a slight recovery in the last quarter of 2021, the tailwinds carried into 2022 with an increased claims experience occasioned by a combination of a surge in elective procedures along with other supplier induced demand. Consequently, the recovery in the health care costs was slower than expected resulting in a deficit of P81.3 million for the Fund and P92.7 million for the Group. The increase in supplier induced demand was mostly in the outpatient, optical, pharmacy and rehabilitation therapy disciplines. The Board and Management have expressed concern and have agreed in the need for urgent interventions to return fund the Fund to profitability. It is anticipated that, on the same token, the performance of investments will also be closely monitored and the investment mandates will be reviewed for optimal returns and for alignment with impending regulatory changes.

BUILDING CAPABILITY TO DELIVER STRATEGY

With the Isago Strategy going into its second year, the vision of being a companion in wellness and health by providing diverse and leading-edge healthcare solutions through innovation and excellence is gaining momentum. In 2021, the Board approved a consultancy to align the organisational architecture to support the vision and the strategy. The organisational structure was signed off by Board in December 2022 for implementation in 2023. A financial provision of P27 million was made in 2022 to accommodate the exercise. Following from this and with the view of attaining cultural

alignment, an opportunity was extended for voluntary separation which was followed by involuntary terminations. This resulted with a separation with 30 employees. While the resourcing for the new structure is ongoing, opportunities will be explored to continue to enhance the customer experience through the automation of key processes. Included in this will be claims, finance, customer relationship processes and enhanced self-service channels.

LAUNCHING OF PRODUCTS AND SERVICES

In order to make the medical aid fund inclusive and to further enhance the customer experience, new wellness-based health plans were approved for commencement during the 2023 financial year. The new generation health plans allow the customer to select a solution that fits their healthcare needs and meets their affordability. Additionally, the burden for customers with child dependents will be reduced as the pricing for children who are minors will be aligned with the risk profiles of the youth and to promote growth in the youth market. To support the new products and services, it is expected that a major review of the Book of Rules will be presented at the 2023 Annual General Meeting. Following from this, Members who desire to migrate into the new health plans will be afforded an opportunity to do so. To this end, Customer Engagement across all channels will be critical to ensure that the value proposition is articulated to the current and potential clients.

INCREASED FOCUS ON WELLNESS

In line with our value of A Passion for Wellness, and in support of the vision, there will be focus on healthcare screening for the 2023 year. In order to measure and manage our customers health and wellness, resources and technology to order to make the medical aid fund inclusive and to further enhance the customer experience, new wellness based health plans were approved for commencement during the 2023 financial year. The new generation health plans allow the customer to select a solution that fits their healthcare needs and meets their affordability. Additionally, the burden for customers with child dependents will be reduced as the pricing for children who are minors will be aligned with their risk profile. To support the new products and services, it is expected that a major review of the Book of Rules will be presented at the 2023 Annual General Meeting. Subsequently Members who desire to migrate into the new health plans will be afforded an opportunity to do so.



THE BOARD OF TRUSTEES

The Board of Trustees is composed of ten (10) Trustees. The Bomaid Book of Rules provides that Four (4) members are elected by Member companies and appointed by the General Membership. Two (2) Trustees are Members of Bomaid nominated by any other Member of The Society and elected by the General Membership at the Annual General Meeting. Three (3) Independent Members are appointed by the six (6) Trustees appointed by the General Membership. The Board further includes one Ex- Officio Member, being the Chief Executive Officer who is also The Principal Officer and is appointed by The Board. In line with the recommendations of BAOA, a process is ongoing to amend the Book of Rules to allow for another Member of the Executive being the Chief Finance Officer to be the second Executive Member of The Board, thereby increasing the composition of the Board to eleven (11). The elected Trustees serve for a maximum of two terms of three years each. The Board of Trustees Chairperson and Deputy Chairperson are elected from among the nine (9) Non-Executive Trustees.

During the year, Mrs. Lydia Andries and the Chairman, Mr Emmanuel Maite, retired by rotation after completing two terms. Mrs. Andries who was due for retirement at the 2022 Annual General Meeting opted to do so earlier after she was offered an Executive position with a competitor, Associated Fund Administrators (AFA). Mr. Fergus Ferguson assumed the Chairmanship while Mr. Oaitse Ramasedi was appointed Deputy Chairman. Mr. Ferguson and Mr. Ghanie are due to retire by rotation in June 2023 after also having completed their maximum number of terms.

The Board has satisfied itself that, in complying to the provisions of the Fund rules, the Board Charter and the Board Succession Planning Policy, it has a sufficient mix of knowledge, skills, experience, independence, age, gender and the categorisation of its Board Members.

Trustee	Role	Gender	Age	Qualifications	Appointment date	Committees	Background
Fergus Ferguson	Chairperson/ Non-Executive	M	42	<ul style="list-style-type: none"> • Bachelor of Accounting, University of Botswana • Masters of Sciences (Strategic Management), the University of Derby. 	<ul style="list-style-type: none"> • 1 July 2016 • July 2022 Chairman 		<ul style="list-style-type: none"> • Currently the Regional Executive, Letshego Holdings Limited • Former Chief Executive Officer, Letshego Financial Services Botswana • Former Letshego Holdings Limited (LHL), Head of Group Credit Risk • Former Consumer Credit Director at Barclays Bank Botswana • Former Head of Collections and Recoveries at Barclays Bank of Botswana • Former Credit Control Supervisor at Orange Botswana

**Board of Trustees** (continued)

Trustee	Role	Gender	Age	Qualifications	Appointment date	Committees	Background
Oaitse Ramasedi	Deputy Chair/ Non-Executive	M	59	<ul style="list-style-type: none"> • Fellow Member of the Chartered Institute of Management Accountants. • Master of Arts in Theology and Religious Studies, the University of Botswana. • Bachelor of Commerce (Accounting), University of Botswana. • Certificate in Pastoral Theology, University of Botswana. 	<ul style="list-style-type: none"> • 6 August 2020 • July 2022-Deputy Chairman 	<ul style="list-style-type: none"> • Finance, Risk & Audit (Chair) • Investment 	<ul style="list-style-type: none"> • Currently the Chief Financial Officer at Botswana Power Corporation. • Former Chief Executive Officer at Non-Banking Financial Institutions Regulatory Authority (NBFIRA). • Former Chief Executive Officer at National Development Bank.
Julius Ghanie	Trustee/Non-Executive	M	55	<ul style="list-style-type: none"> • Bachelor of Sciences (Hons) in Computer Science • Masters of Sciences in Information Systems Management from the Universities of Edinburgh and Liverpool in the United Kingdom. • Executive Leadership Programme, Gordon Institute of Business Science, South Africa. 	30 June 2017	<ul style="list-style-type: none"> • Investment • Finance, Risk & Audit • Benefit, Appeals & Service Quality (Interim Chair) 	<ul style="list-style-type: none"> • Serving as ICT Director for the Bank of Botswana since 2004. • Served as a member of the Curriculum Advisory Committee at the University of Botswana Computer Science Department in 2010, for a period of two years. • Lead Coordinator of the SADC Central Banks IT security with special emphasis on cyber threats since 2012.

**Board of Trustees** (continued)

Trustee	Role	Gender	Age	Qualifications	Appointment date	Committees	Background
Dr Refeletswe Lebelonyane	Trustee/Non-Executive	F	51	<ul style="list-style-type: none"> • Master of Public Health (MPH) - Medunsa School of Public Health, South Africa, 2003 • Postgraduate Diploma in Public Health- Medunsa School of Public Health, South Africa, 2002 • Postgraduate Certificate in internal medicine & surgery- St. Petersburg Medical Academy in internal Medicine & Surgery, 1996 • Bachelor of Medicine - St. Petersburg Medical Academy in internal Medicine & Surgery, 1995 	17 February 2021	<ul style="list-style-type: none"> • Benefit, Appeals & Service Quality • Human Resources 	<ul style="list-style-type: none"> • Currently she is the program manager for Botswana-Rutgers Partnership for Health • Former Director of Study Interventions at Botswana Combination Prevention Project (BCPP), Ministry of Health • Former Director HIV/Aids Prevention Care and Support, Ministry of Health. • Former Director of Primary Health Care, Ministry of Local Government. • Former Public Health Specialist, City of Francistown • Former Consultant at Rutgers Global Health Institute • Former Public Health Specialist at Botswana Harvard AIDS institute, Gaborone • Former Senior Medical Officer at Ministry of Health-Nyangabgwe Referral Hospital and Princess Marina Hospital.

**Board of Trustees** (continued)

Trustee	Role	Gender	Age	Qualifications	Appointment date	Committees	Background
Leroy Klein	Trustee/ Non-Executive	M	46	<ul style="list-style-type: none"> • Associate member of the Botswana Institute of Chartered Accountants (ACPA Bots) • Fellow Member of the Association of Certified Chartered Accountants (FCCA-UK) • Treasury Operations certificate (ACI-Operations) • Treasury Dealing certificate (ACI-Dealing) 	17 February 2021	<ul style="list-style-type: none"> • Investment • Southview 	<ul style="list-style-type: none"> • Chief Risk Officer at Absa Bank Botswana Limited • Former Country Treasurer at ABSA Bank Botswana Limited • Former Senior Auditor at KPMG Botswana
Letlhokwa Motladiile	Trustee/ Non-Executive	M	51	<ul style="list-style-type: none"> • Masters of Sciences in Human Resource Management from University of Salford, Manchester, United Kingdom • Bachelor of Arts, University of Botswana 	6 August 2020	<ul style="list-style-type: none"> • Human Resources (Chair) • Benefit, Appeals & service Quality • Nominations 	<ul style="list-style-type: none"> • Senior Manager of Organisational Development at Water Utilities Corporation • Former Hospital Manager at Ministry of Health • Former Principal Manpower Planning at Ministry of Local Government

**Board of Trustees** (continued)

Trustee	Role	Gender	Age	Qualifications	Appointment date	Committees	Background
Dr Botho Mhozya	Trustee/ Non-Executive	F	40	<ul style="list-style-type: none"> • Bachelor of Medicine/ Bachelor of Surgery from Monash University, Melbourne, Australia • Discovery Advanced Peak Performance Program (APPP) /Gordon Institute of Business Science, South Africa 	15 November 2021	<ul style="list-style-type: none"> • Benefits, Appeals & Service Quality 	<ul style="list-style-type: none"> • Head of Health Professional Risk- Discovery Health • Former Head of Health Provider Relations & Managed Care, Medical Advisor-Botswana Medical Aid Society (Bomaid) • Former Senior Medical Officer- Lenmed Bokamoso Private Hospital • Former Adolescent Services Medical Officer-Botswana- Baylor Children's Clinical Centre of excellence • Former Medical Officer- Accident and Emergency- Princess Marina Hospital • Former Medical Officer- Paediatrics- Bokamoso Private Hospital • Former Medical Officer- Paediatric Surgery/Princess Marina Hospital
Keetsemang Nkoko	Trustee/ Non-Executive	F	45	<ul style="list-style-type: none"> • ACCA from the Association of Chartered Certified Accountants • Bachelor of Accounting, University of Botswana 	16 December 2022	<ul style="list-style-type: none"> • Finance, Risk & Audit • Human Resources 	<ul style="list-style-type: none"> • Finance Manager at Botswana Competition and Consumer Authority • Former Finance Manager at Botswana University of Agriculture and Natural Resources • Former Financial Controller – Alexander Forbes Financial Services Botswana • Board Chairperson of the Finance & Audit Committee (Bofinet)

**Board of Trustees** (continued)

Trustee	Role	Gender	Age	Qualifications	Appointment date	Committees	Background
Tshephang Loeto	Trustee/ Non-Executive	M	35	<ul style="list-style-type: none"> • CFA level II Candidate • CoP in short-term insurance from IISA • Practice of Short-Term Insurance Certificate from IISA • Bachelor of Finance, University of Botswana 	16 December 2022	<ul style="list-style-type: none"> • Finance, Risk & Audit • Investment 	<ul style="list-style-type: none"> • Chief Investment Officer at Botswana Public Officers Pension Fund • Former Portfolio Manager / Co-Head of Investments at Vunani Fund Managers Botswana • Former Investment Analyst and Portfolio Manager at Investec Asset Management • Former Investment Analyst at BIFM • Former Portfolio Analyst at FinCraft Investment Management • Former Executive for High-Net-Worth Individuals at IPRO Botswana • Board Member – Dream Factory • Vice President – Botswana Bond Market Association

**Board of Trustees** (continued)

Trustee	Role	Gender	Age	Qualifications	Appointment date	Committees	Background
Moraki Mokgosana	CEO/ Principal Officer	M	52	<ul style="list-style-type: none"> • Bachelor of Commerce (Accounting) from the University of Botswana • Master of Business Leadership from the School of Business Leadership at the University of South Africa. 	November 2013	<ul style="list-style-type: none"> • Investment • Benefits, Appeals & Service Quality • Human Resources • Nominations • MRI 	<ul style="list-style-type: none"> • Currently he is the Chief Executive Officer at Botswana Medical Aid Society • Former Managing Director at G4S Botswana Limited • Former Managing Director at Collection Africa/CRB Africa Botswana • Former Business Development Executive at Botswana International Financial Services Centre • Former Project Accountant at Kgalagadi Breweries Limited. • Former Financial Controller at Orange Botswana • Served as a board member and chairperson of Metropolitan Health Botswana (Pty) Ltd • Trustee of the Kabelano Trust and serves on The Boards of the Botswana Meat Commission, MRI Botswana Limited and the Board of Health Funders of Southern Africa. • Board Chairman at Bayport Financial Services Botswana • Board Members at The Botswana Meat Commission • Board Member at the Board of Health Funders of Southern Africa.



BOARD DEMOGRAPHICS

INDEPENDENCE	Executive	Non-executive
	1	9

TENURE	0 – 2 years	3 – 6 years	6 – 9 years
	3	3	3

AGE	30 – 49	50 – 59	60 – 69
	5	5	Nil

GENDER	Male	Female
	7	3

CHIEF EXECUTIVE OFFICER'S CONTRACT

Mr Moraki Mokgosana is on a five-year contract which effected in November 2021.

TERMS OF THE CONTRACT

The contract for the Chief Executive Officer provides for the following terms:

- A termination notice period of 2 months or one month salary in lieu of notice;
- Termination shall be for misconduct, incapacity (poor performance or sickness or operational requirements);
- Contract can be terminated without notice for serious misconduct;
- Employer to notify the Employee 6 months before expiry of contract of intention to extend. Employee to notify employer 6 months before expiry of contract of desire to serve another term;
- Participation in the Executive Incentive and The Long-Term Incentive policies; and
- The CEO's performance is reviewed annually in line with set performance targets based on the balanced scorecard.

OTHER COMMITMENTS OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is the Board Chairman at Bayport Financial Services Botswana, an Ex-Officio Member of the Board of MRI Botswana Limited, a Commissioner at Botswana Meat Commission, and a Country Representative for Botswana medical aids at The Board of Health Funders of Southern Africa. These are all Non-Executive positions.

SUCCESSION PLANNING FOR THE ROLE OF CHIEF EXECUTIVE OFFICER

Succession planning for the role of Chief Executive Officer is considered and approved by the Board every year. The review was not conducted in 2022 due to the réorganisation exercise. The next review is scheduled for the fourth quarter of 2023.

Identified successors are exposed to training and coaching to improve their readiness to succeed the incumbent in the role.

CORPORATE GOVERNANCE REPORT

Board of Trustees Statement on Governance

Leadership

Botswana Medical Aid Society Board of Trustees, working closely with the Bomaid Executive Management, has committed itself to elevated levels of ethical leadership, integrity, and good governance. The Group's governance framework is based on the principles of ethical leadership, corporate citizenship, sustainable development, stakeholder inclusivity, and integrated thinking and reporting.

The philosophy of sound governance has been entrenched across the organisation and has been incorporated into the values of the organisation to create sustainable value and enhance long term performance.

The Board holds the view that for Bomaid to remain and continue being sustainable, and a key stakeholder in the health care industry, it must provide the necessary oversight to ensure that the Group has a solid reputation.

The Trustees have a fiduciary duty to administer Bomaid's assets with due skill and care expected from a Member in the position of a Trustee. The Board is therefore accountable to the Members of the Fund, who are the beneficiaries of the assets of Bomaid. The Board is duty bound to act in accordance with the documents creating the medical aid fund and to Bomaid's best interest at all times. The Board has committed itself to the highest standards of Corporate Governance through adopting and applying the principles enshrined in the King IV Report and adhering to the Board Charter which outlines the Board's duties and responsibilities.

Organisational ethics

The Book of Rules, Code of Conduct, Conditions of Service, and values of Bomaid are the imperatives that drive ethical culture at the organisation. The orientation and induction process for newly employed Staff and Trustees is a fundamental process towards achievement of an ethical culture. Ethical breaches can result in a worsening reputation that may affect Customer acquisition, as well as attraction and retention of Employees.

**Corporate Governance Report** (continued)

Measures are in place to ensure that there is an ethical culture within Bomaid which will translate to preservation of the assets of Customers. The Finance, Risk, Audit Committee has the responsibility of overseeing ethical business practices and protecting stakeholder interests.

A Whistle Blowing Policy is in place which enhances good governance and transparency by providing an avenue for raising concerns related to fraud, corruption or any other misconduct by employees, business partners or any other third party dealing with the Group. Ethical breaches are reported through an anonymous Tip-Off service administered by Deloitte. Any reports received are investigated and the outcomes reported to the Finance, Risk and Audit Committee. Remedial measures are recommended for implementation by Management.

The benefits that are derived from proper management of ethics are the following:

- a) Integrity
- b) Improved brand affinity
- c) Business awareness recognition
- d) Asset protection
- e) Improved productivity and teamwork
- f) Employee retention
- g) Ethical decision making
- h) Customer loyalty and retention

PLANNED AREAS OF FUTURE FOCUS

In 2022, Bomaid undertook the activities below to improve governance and align to the requirements of the King IV Code:

- a) Adhered to the NBFIRA regulatory requirements on submission of quarterly and annual returns
- b) Developed an action plan to address the issues observed from the board evaluation
- c) Developed the Board Remuneration Policy and tabled it for approval by the General Membership at the Annual General Meeting
- d) Reviewed the Board and Committee Charters and mandates
- e) Inducted all the newly appointed Trustees
- f) Reviewed the Board and Committee mix and aligned appropriately.

GOVERNING BODY**Board Structure**

The Board of Trustees is composed of ten (10) Trustees. The Bomaid Book of Rules provides that Four (4) members are elected by Member Companies and appointed to the Board by the General Membership of the Society. Two (2) Trustees are Members of the Society nominated by any other Member of the Society and elected by the General Membership at the Annual General Meeting. Three (3) independent Members are appointed by the six (6) Trustees appointed by the General Membership. The Board further includes one Ex-Officio Member, being the Chief Executive Officer who is also The Principal Officer of the Society and is appointed by the Board. The elected Trustees serve for a maximum of two terms of three years each. All Trustees appointed to the Board are vetted by NBFIRA and should pass the fit and proper test before assuming office. The Board of Trustees Chairperson and Deputy Chairperson are elected from among the nine (9) Non-Executive Trustees. Mr. Fergus Ferguson was appointed Chairman of the Board while Mr. Oaitse Ramasedi was elected Deputy Chairman after retirement of the former Board Chairman on the 29th of June 2022.

ROLE OF THE GOVERNING BODY

The Board of Trustees is bestowed with the responsibility for sound and proper management of the organisation. In the execution of their duties, Board members are expected to act with due care, diligence, skill, good faith and in the best interests of Bomaid and its Members. Processes are in place to ensure that the Trustees declare any conflicts of interest that may arise. The Board members also have a duty to act in accordance with the Botswana Medical Aid Society Book of Rules & other governing policies and codes of the Fund.

ROLE OF THE BOARD CHAIRMAN AND HIS INDEPENDENCE

The Board Chairperson is responsible for leading the Board and focusing it on strategic matters, overseeing the business of the Group and setting governance standards. He presides over Board meetings & ensures that meetings run smoothly, remain orderly, and Board members work collectively at achieving a consensus on Board decisions. He also plays a pivotal role in fostering the effectiveness of the Board and individual Trustees.



BOARD EVALUATION

The Board Charter requires the evaluation of the Board's performance and that of its Committees, its chairperson, and individual Members, to support continued improvement in performance and effectiveness. A Board evaluation was conducted in 2021. Another evaluation will be carried out during the 2023 year.

SUCCESSION PLANNING FOR THE BOARD

A Board Succession Policy was approved by the Board and implementation of the policy is ongoing. The aim of the policy is to ensure that the Fund takes a strategic approach to Board continuity and to ensure that a framework is in place for an effective and orderly succession of Trustees that will result in the collective knowledge, skills, and experience necessary for the Board to govern effectively.

The Deputy Chair is a first level potential successor to the position of Board Chairman. An arrangement is in place for the Deputy Chairman to lead some of the Board engagements as a way of exposing him to Board procedure and mentoring for succession planning purposes.

A Trustee training budget and plan are put in place annually to develop and capacitate Trustees in the discharge of their responsibilities.

BOARD MEETINGS

In terms of the Book of Rules, the Board of Trustees sits at least four (4) times a year. During the year, The Board met eleven (11) times, four (4) of the meetings were scheduled whilst the other four (4) were special meetings. The Special meetings were necessitated by the need for The Board to offer strategic guidance to Management as a result of ongoing reorganisation and change projects and to update the Board on developments regarding a dispute with Sidilega Private Hospital.

Attendance Register

Date of Board Meeting	26/1/22	22/2/22	5/4/22	28/4/22	15/6/22	30/6/22	22/8/22	6/10/22	17/10/22	14/11/22	14/12/22
Emmanuel Maite	P	P	P	P	P	P	N/A	N/A	N/A	N/A	N/A
Fergus Ferguson	P	P	P	A	P	P	P	P	P	P	P
Oaitse Ramasedi	P	P	P	A	P	A	P	P	P	P	A
Letlhokwa Motladiile	P	P	P	P	P	P	P	P	P	P	P
Leroy Klein	P	P	P	A	P	A	P	P	P	P	P
Tshephang Loeto	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Refeletswe Lebelonyane	P	P	P	P	P	P	P	P	P	P	P
Julius Ghanie	P	P	P	P	P	P	P	P	P	P	P
Keetsemang Nkoko	N/A	N/A	N/a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Botho Mhozya	P	P	P	P	P	A	P	A	P	P	P

P-Present Absent/Apology N/A Not Applicable/Trustee not on Board



BOARD COMMITTEES

The Book of Rules and Board Charter provide for the establishment of designated Board Committees, to assist the Board with delivery of its mandate and that the Board of Trustees may delegate some of its powers to these designated Committees. This is in accordance with good corporate governance standards. The Board ensures that the delegated authority of Committees is express and that the Committees work in line with the Terms of Reference as provided in the Committee Charters. The Committees are mandated to make recommendations of their final decisions to the Board for approval. The delegation of authority to Committees does not absolve nor transfer any of the responsibilities of the Board to the respective Committees, and the Board remains accountable to the Members of the Fund. The Board Committees comprise the Investment Committee; Finance, Risk & Audit Committee; Benefits, Appeals & Service Quality Committee, the Human Resource Committee, and the Nominations Committee.

Additionally, the organisation has a Delegation of Authority Policy and Matrix which sets out the following:

- a) Matters specifically reserved for determination by the Board and those matters delegated to Management
- b) Matters reserved for specific roles in the organisation
- c) Establishes expense approval limits within the organisation

No deviations to these mandates were noted during the reporting period. The delegation of authority has led to clarity and the effective exercise of authority.



Board Committees (continued)

INVESTMENT COMMITTEE



Leroy Klein

Chairperson

Attendiees

Leroy Klein	Chairperson
Oaitse Ramasedi	Member
Julius Ghanie	Member
Tshephang Loeto	Member (Since 16th December 2022)
Moraki Mokgosana	Ex-Officio

The Investment Committee was previously known as the Finance and Investment Committee. It was observed that there was an overlap in terms of the finance functions of the Finance & Investment Committee and the Risk & Audit Committee. Consequently, there was a reclassification of the Finance & Investment Committee to the Investment Committee. The Investment Committee would have dedicated focus on the performance of the investments of the Fund including aligning and assisting with the growth strategy of the assets of the Fund as well as the general oversight function on investments of the organisation. The Committee reviews reports from the Investment Consultant and the Asset Managers on investment performance, investment opportunities, as well as the performance of subsidiaries, and makes the requisite recommendations on investment matters to the Board for approval. The duties of the Investment Committee are:

Investment Management

The Committee is responsible for:

- Devising, reviewing, and recommending any amendments to the investment policies of The Fund
- Giving effect to The Fund's investment policies as approved and adopted by the Board
- Ensuring that responsible investment is practised by Bomaid to promote good governance and the creation of value by the companies in which it invests
- Recommending to The Board, the appointment and termination of Asset Managers and Investment Consultant and monitoring their performance
- Examining recommendations on investment related matters and seeking approval of The Board of Trustees where appropriate
- Delegate to Management and/or outsourced Asset Managers, the implementation of responsible investment policy and ensure accountability for complying with the formal mandate.

Date of Meeting	13/4/22	30/5/22	9/9/22	5/12/22
Leroy Klein	P	A	A	A
Oaitse Ramasedi	P	P	P	P
Julius Ghanie	P	P	P	P
Tshephang Loeto	N/A	N/A	N/A	N/A

P-Present A-Absent/Apology NA-Not Applicable/Trustee not on Board

Board Committees (continued)

FINANCE, RISK & AUDIT COMMITTEE



Oaitse Ramasedi

Chairperson

Finance and Audit functions complement each other. This will also ensure that the skill sets in the Committee will support the effective functioning of the Committee to effectively manage the functions of Finance, Risk and Audit which are intertwined with each other.

The Committee assists the Board in discharging its responsibility relating to safeguarding assets, effective internal control systems, IT Governance and ensuring that the financial statements are prepared in compliance with all applicable legal and regulatory requirements and accounting standards. The Committee reviews reports on management of internal controls, risk management and compliance and makes the requisite recommendations to the Board for approval. Some of duties of the Committee are:

Financial Reporting

- Monitoring and oversight function on the reliability, quality and integrity of the financial statements of the Fund at year end
- Recommending approval of the audited financial statements to the Board

Internal Controls

- Review the adequacy and effectiveness of the Society's internal controls including IT Governance
- Review and approve the statements to be included in the annual report concerning internal controls and risk management
- Ensure there is an effective combined assurance framework

Oaitse Ramasedi	Chairperson
Leroy Klein	Member (Up to the 6th of October 2022)
Julius Ghanie	Member
Fergus Ferguson	Member (Up to the 29th of June 2022)
Keetsemang Nkoko	Member (Since 16th of December 2022)
Moraki Mokgosana	Ex-Officio

The Finance, Risk and Audit Committee was previously named the Risk and Audit Committee. It was observed that there was an overlap in terms of the finance function of the Finance and Investment Committee and the Risk and Audit Committee which resulted in the reclassification of the Risk and Audit Committee to the Finance, Risk and Audit. The change was to improve the reporting function and improve the efficiency of the Committees since the

Risk Management Process

- Review the risk management framework and policies
- Review the adequacy of processes for identifying monitoring and managing risks.
- Reviewing the Societies procedure for reporting and detecting fraud

Internal Audit

- Monitor and review the effectiveness of Bomaid's Internal Audit function in the context of the Fund's overall risk management system
- Oversee the selection process and recommend the appointment, termination and/or extension of the services of the Internal Auditor
- Review the annual internal audit plan and recommend its approval by the Board.
- Review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor
- Meet the Internal Auditor once a year without Management.

External Audit

- Oversee the selection process and recommend the appointment, termination and/or extension of the services of the External Auditor
- Review the findings of the audit with the External Auditor
- Meet the External Auditor once every year, without management being present, to discuss their remit and any issues arising from the audit.

Legal and Regulatory Compliance

- Review compliance to regulatory requirements and all other Laws of Botswana governing the Society.

Corporate Governance

- Review reports and advice in relation to material corporate governance developments relevant to the Finance, Audit & Risk Committee.

Attendance Register

Date of Meeting	26/4/22	10/6/22	16/8/22	22/9/22	8/12/22	12/12/22
Oaitse M Ramasedi	P	A	P	P	P	P
Leroy Klein	A	A	A	A	N/A	N/A
Julius Ghanie	P	P	P	P	P	P
Fergus Ferguson	P	P	N/A	N/A	N/A	N/A
Keetsemang Nkoko	N/A	N/A	N/A	N/A	N/A	N/A

P-Present A-Absent/Apology NA-Not Applicable/Trustee not on Board

Board Committees (continued)

APPEALS, BENEFITS AND SERVICE QUALITY COMMITTEE



Julius Ghanie

Chairperson

Attendees

Julius Ghanie	Chairperson
Dr. Refeletswe Lebelonyane	Member
Letlhokwa Motladiile	Member
Dr. B Mhozya	Member
Fergus Ferguson	Member (Up to the 29th of June)
Moraki Mokgosana	Ex-Officio

This Committee assists the Board in carrying out its responsibility to assess appeals from Bomaïd Members and to foster a culture of service excellence. The Committee ensures that the organisation fulfils its mission of providing competitive and diverse health care products and funding through innovation and service excellence while at the same time maintaining an appropriate balance between compassion, fairness and fiscal realism.

Attendance Register

Date of meeting	21/3/22	24/5/22	18/8/22	6/9/22	7/12/22
Julius Ghanie	A	P	P	P	P
Refeletswe Lebelonyane	P	A	P	P	P
Botho Mhozya	P	A	P	P	P
Fergus Ferguson	P	P	N/A	N/A	N/A
Letlhokwa Motladiile	P	P	P	P	P

P-Present A-Absent/Apology NA Not Applicable/Trustee not on Board

HUMAN RESOURCES COMMITTEE



Letlhokwa Motladiile

Chairperson

Attendees

Letlhokwa Motladiile	Chairperson
Fergus Ferguson	Member (Up to the 29th of June 2022)
Refeletswe Lebelonyane	Member
Keetsemang Nkoko	Member (Since 16th of December 2022)
Moraki Mokgosana	Ex-Officio

The function of this Committee is to advise the Board on Human Resource policies and strategies, including remuneration and the appointment of Officers of the Group. The Committee is charged with reviewing and offering counsel on the status of Bomaïd's human intellectual capital. In addition, The Committee evaluates succession planning and tables recommendations to the Board to approve Executive appointments.

This Committee is responsible for reviewing the remuneration policies of the organisation. In awarding annual increases to employees, consideration is given to the Group's performance, an employee's performance as well as economic conditions impacting the industry and geographical market in which the organisation operates. The Committee is also responsible for the welfare of Board Members across the Group

Attendance Register

Date of meeting	27/4/22	24/5/21	6/9/22	6/12/22
Letlhokwa Motladiile	P	P	P	P
Fergus Ferguson	P	P	N/A	N/A
Refeletswe Lebelonyane	P	P	P	P
Keetsemang Nkoko	N/A	N/A	N/A	N/A

P-Present A-Absent/Apology NA Not Applicable/Trustee not on Board



Board Committees (continued)

NOMINATIONS COMMITTEE



Fergus Ferguson

Chairperson

Attendees

- Fergus Ferguson Chairperson (Since 6th October 2022)
- Emanuel Maite Chairperson (Up to 29th June 2022)
- Julius Ghanie Member
- Letlhokwa Motladiile Member
- Moraki Mokgosana Ex-Officio

The function of this Committee is to supervise the appointment process of Board members across The Group. Additionally, the Committee oversees and make appropriate recommendations on Trustee’s training needs and governance issues. The Committee sits as an when required and it sat once during the year.

Attendance Register

Date of meeting	4/10/22
Fergus Ferguson	P
Emmanuel Maite	N/A
Julius Ghanie	P
Letlhokwa Motladiile	P

P-Present A-Absent/Apology NA Not Applicable/Trustee not on Board





BOARD REMUNERATION

At the Annual General Meeting of the 30th of June 2021, Members appointed a Task Force to review Board fees and draft the Board Remuneration Policy for the Board. The Task Force was guided by an Independent Consultant that was appointed from KPMG. The Members of the Task Force comprised the following:

Name of member	Area of expertise	Qualification
Joseph Ndadi	Human Resources Management, Remuneration Trends and Corporate Governance	<ul style="list-style-type: none"> • MSc Strategic Management, University of Derby • Bachelor of Administration (Human Resources Management), University of North West, RSA • Senior Management Development Programme, University of Stellenbosch
Gomolemo Sebele	Human Resources Management and Remuneration Trends	<ul style="list-style-type: none"> • Bachelor's Degree in Humanities, University of Botswana • Finance for Non-Finance Manager, BAC • Human Resources Business Partner Master Class, Institute of People Management in partnership with Deloitte • New Managers Development Programme - University of Stellenbosch, 2012 • Market Data and Salary Survey programme - Tsa Badiri, 2008
Keletso Benjamin	Human Resources Management and Remuneration Trends	<ul style="list-style-type: none"> • Master of Science, Human Resources Management • Bachelor of Arts in Public Administration & Political Science, University of Botswana
Thatayaone Ramagang	Human Resources Administration and HR Systems	<ul style="list-style-type: none"> • Bachelor of Science (Honours) Computing & its practice, The Open University UK. • Master of Business Administration, MANCOSA

**Board Remuneration** (continued)

On completion of the assignment, the Task Force presented the Board Remuneration Policy for approval at the Annual General Meeting held on the 29th June 2022. The salient aspects of the policy are as follows:

Objective of the policy

To attract, motivate, reward and retain highly skilled personnel that will keep Bomaid ahead of competition by retaining a motivated talent pool to drive its core ideology and strategic aspirations. Fair reward in the form of Board remuneration increases performance which translates into sustainability of the Fund, thereby creating value for the Membership.

External and Internal factors considered during drafting of the policy

Consideration was given to the size of the assets of Bomaid, performance of the Fund, regional industry remuneration trends and sustainability of the remuneration in the future.

Effective date of the approved Remuneration Policy

The policy was to take effect from the 1st of January 2023.

Review period of the policy

The policy will be reviewed every 3 years.

Board Meeting Fees

Board fees for the Chairman were increased from P7,500 to P10,000. Board fees for other Trustees were increased from P6,500 to P8,000.

Committee Meeting Fees

The Chairman's fee of P7,500 and fee of P6,500 for other Members of the Committee were retained as is.

Annual Board Fee/Retainer

This fee was introduced to attract and retain highly skilled personnel. This fee will compensate the Board Members for work performed outside standard Board and Committee business as well as for time expended in preparing for Committee and Board meetings (ad hoc engagements).

Communication Allowance

Provision of a communication allowance of P600 per month was introduced to ease communication between the Trustees on matters relating to the business of the Fund.

The Trustees were paid total remuneration amounting to P1,185,600 during the reporting period broken down as follows.

Total Board Remuneration

Botswana Medical Aid Society	
Mr. E Maite	P101,250
Mr. F Ferguson	P207,000
Dr. R Lebelonyane	P123,750
Mr. J Ghanie	P232,200
Mr. O Ramasedi	P133,200
Mr. L Motladiile	P138,150
Mr. L Klein	P119,550
Dr. B Mhozya	P93,600

Southview (Pty) Ltd

Mr. F Ferguson	P10,800
Mr. L Klein	P8,100
Mr. T Silitshena	P18,000

The remuneration above includes compensation for Trustees' attendance at Board, Committee and adhoc meetings. The breakdown of remuneration by meeting type is as follows:

Board	P519,300
Benefits, Appeals and Service Quality Committee	P109,800
Investment Committee	P56,250
Finance, Risk & Audit Committee	P118,200
Human Resources Committee	P101,700
Southview (Pty) Ltd	
Board meetings	P36,300
Nominations Committee	P12,600
Other Assignments	P230,850



INVESTMENT POLICY

Bomaid is, in principle, a Benefit Society. The Fund is, therefore, not taxed on receipt of subscriptions and income on investments. The Board of Trustees have a duty to approve an appropriate strategy, monitor the performance of investments and make changes where necessary.

On the 26th of October 2020, the Board reviewed the Investment Policy and Strategy document that was approved in 2015 and adopted a strategy that enabled Bomaid to meet its liabilities while allowing for preservation of capital. The Strategy adopted is expected to provide a long-term return outcome of CPI+2 %. The Society will have some exposure to foreign investments in order to provide diversification.

The Society has adopted the following long-term strategic asset allocation:

Asset Class	% Allocation	Allocation Limits (%)
Local Equities	14	0-21
Local Bonds	28	22-42
Local Cash	28	20-50
Foreign Equities	18	0-27
Foreign Bonds	12	10-18
Foreign Cash	0	0-10
Alternative Investments	0	0-10

Alexander Forbes Asset Management Consultants is tasked with providing consulting services for the Fund while the management of the assets is entrusted to Botswana Insurance Fund Managers (BIFM) and NinetyOne. BIFM has a 65% allocation while 35% of the assets are managed by NinetyOne.

REGULATORY AND COMPLIANCE

The Risk and Compliance as well as the Legal Services Departments provide the framework as well as assurance to ensure regulatory and statutory compliance. Reporting on compliance to policies and law is reported to the Board through the Finance, Risk and Audit Committee.

KEY FOCUS AREAS DURING THE REPORTING PERIOD

During the reporting period focus was on the following areas:

- Induction to capacitation the newly appointed Trustees to execute their responsibilities
- Training of the Board on Investment Matters, Ethics and Governance
- Alignment to the proposed NBFIRA Act
- Resolution of internal and audit queries
- Improvement of risk and compliance processes
- Compliance to the Financial Intelligence Act through (FIA) Act
- Preparation for compliance to the Data Protection Act

RISK GOVERNANCE

The Risk and Audit Committee met with the External and Internal Auditors in the absence of Management on the 24th April 2023. The Internal Audit function is outsourced to KPMG.



CORPORATE CITIZENSHIP

The Board approved a Corporate Social Investment and Sponsorship Policy which effected on the 1st of December 2021. The purpose of the policy is to formalise the Corporate Social Investment (CSI) & Sponsorship activities of Bomaïd in line with its strategic intent. The Benefits, Appeals and Service Quality Committee of the Board is responsible for ensuring that there is coordination and adherence to the CSI & Sponsorship Policy.

Diacore Marathon (P250,000)

The purpose of the sponsorship was to position Bomaïd as a medical aid scheme that promotes wellness and healthy living, leverage on an already established brand to promote exercise and healthy lifestyle & increase awareness of non-communicable diseases, promote the screening of non-communicable diseases and support the marathon which is aligned to the organisation's commitment to give back to the community in aid of disadvantaged groups.



Walk of Hope (P35,000)

Walk of Hope is a non-government organisation (NGO) that focuses on the advancement of women and the girl child for easy access to shelter, technology and skill equipping. Its mandate also includes giving the boy child hope and helping them realise their dreams as well as knowing their roles to discourage self-hate and bottling up issues. By so doing, the organisation, among other things empowers families and the community to be assertive on the issues of child abuse while giving emotional and psychological support to the abused and their families. The CEO, Moraki Mokgosana, participated in a Business Breakfast Talk Show where young men and business leaders met to openly and honestly engaged about the experiences both as victims and perpetrators of Gender Based Violence themed "Let's Man up and break the silence." Following from this event, Bomaïd staff participated in an awareness cycle from Gaborone to Molepolole. The initiatives which dealt with the issues of mental health were aligned with the value of a passion for wellness.

Komatsu AM 600 Challenge (P100,000)

After having participated in the AM570 Cycling Challenge in 2020, Bomaïd returned to participate in the sequel in 2022. The Komatsu AM 600 Cycle Challenge was a 30 cyclist, 3 day 600 kilometre tour in honour of the late Debswana Managing Director, Albert Milton. The 2022 tour started in Jwaneng with an overnight stop in Gaborone before proceeding to Mahalapye and returning to Gaborone on the third day, and featured the First Lady, Mrs Neo Masisi, as the guest cyclist.

Through this event, which supports the values of a passion for wellness, teamwork and accountability, the organisers had raised P2.4 million in 2020. The proceeds had been distributed to four main projects in the Mabutsane Sub District (heavy duty photocopiers), Jwaneng (construction of classroom blocks at Kgosi Mpe Secondary School and Mokhomma Primary School), as well the purchase of reusable sanitary pads to empower Gender Based Violence victims in the Jwaneng Zone of Influence.

The AM 600 event raised funds for the donation of a breast cancer machine (Journey of Hope), library refurbishment (St. Joseph's College), donation of ICT material and a year's internet (Tawana Kgotla, Maun), and donation of school furniture for Mokoboxane Primary School in Boteti.





Corporate Citizenship (continued)

Morupule GM Challenge (P100,000)

This sponsorship provided Bomaïd with an opportunity to strengthen relations with Morupule Coal Mine and continue to cultivate and explore opportunities for member growth within the organisation and the cycling sport as a whole.



University of Botswana (P10,000)

This is an award for the best student in the Faculty of Health Sciences. Bomaïd sponsors this event every year.

Gaborone International Music Concert (P100,000)

Bomaïd sponsored the aerobics event at the 2022 GIMC culture week. This sponsorship allowed Bomaïd members to take part on the aerobics day promoting active lifestyle.

Gosemama Community Junior Secondary School (P50,000)

In line with the Government of Botswana led Adopt-A-School initiative and the United Nations Sustainable Development Goals (SDGs), particularly SDG4 - to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all - Bomaïd continued its support for Gosemama Junior Secondary School in Goo-Tau, Tswapong in the Central District.

The relationship with the school started in 2017 when Bomaïd accepted an invitation to support the school's annual Prizegiving Ceremony. In 2019, Bomaïd signed a Memorandum of Agreement (MOA) to adopt the school for a three-year period, with an annual budget of P100,000.00. The planned projects included refurbishing and equipping the school library holistically and building a kitchen for the school. The refurbishment of the library included fitment with furniture, bookshelves, and study cubicles for the students as well as

a donation of 10 computers, a printer, a scanner, an overhead projector and an air conditioner. This project was completed in 2022. The school has shown consistency in success in academics over the duration of the partnership with Bomaïd.

Khwai Village Christmas Donations (P30,000)

Bomaïd collaborated with Mosha Spa to buy Christmas gifts gift boxes for under privileged children in the remote village of Khwai in the Okavango Delta. Through this initiative drawstring bags were donated to 179 children aged between 2 and 14 years.

Other CSR and Sponsorship Activities

Below are some of the other CSR and Sponsorship activities we participated in during the year:

- Maru A Pula Golf Day
- Nhabe 200 National Race
- Desert Bush Walk



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VALUE CREATION

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Our Value Creation and Trade-Offs

OVERVIEW OF VALUE CREATION AND TRADE-OFFS

In 2021, The Board approved the Isago Strategy for implementation in the years 2022 to 2026. In the 2016 to 2021 strategy, our mission was to provide diverse and innovative solutions in a cost effective and sustainable manner, through innovation and excellence.

In our revised strategy, our mission is to provide diverse and leading-edge healthcare solutions through innovation and excellence. In delivering on this mission, we use various forms of capital to create value for stakeholders. The outputs that we produce and the outcomes that we contribute to, result in value being created, preserved, and eroded for stakeholders.

Natural capital is not a material input for our business, nor do our business activities impact on natural resources in a material way. The following are the five material forms of capital that we use:



Financial: The cash generated from our operations, together with funding from investors and financial institutions



Human: Our people and their collective knowledge, skills, and experience



Intellectual: Our brand, our solutions, and our insights



Manufactured: Our physical footprint created by the buildings



Social: Our stakeholder relationships with members, investors, regulators, and our society.

In considering how best to achieve our objectives, we evaluate a wide range of inputs from the external environment, our stakeholders, and our internal discussion on strategy, risks, and opportunities. This section of the report provides context to how we consider and arrive at our material issues and our strategic direction.



External Environment

COVID-19

On 5th May 2023, The World Health Organisation (WHO) Director General, Tedros Adhanom Ghebreyesus, declared an end to Covid-19 as a public health emergency of international concern. This followed a downward trend of disease burden attributed to the high availability and uptake of the effective Covid-19 vaccines. In his announcement, the Director General urged that mistakes that were made which included lack of coordination, equity and solidarity that resulted in existing tools and technologies not being used to combat the virus were never to be repeated.

The WHO has also noted that health systems in most countries were starting to restore essential health services and that millions of people who had not had access to routine health services during the pandemic were experiencing reduced disruptions. For Bomaid this creates an opportunity to forge ahead with the provision of wellness based health plan while at the same time presenting challenges of increased demand that could further escalate the healthcare costs.

As noted by the Gates Foundation Goalkeepers Report of 2020, in 25 weeks the pandemic had set the world back 25 years reversing gains made in a variety of goals ranging from ending poverty to fighting inequalities. What started as a health crisis had become an economic crisis, a food crisis, a housing crisis and a political crisis resulting in everything colliding with everything else. With the worst of Covid-19 seemingly behind us, the world can look ahead to restoration and recovery.

ECONOMIC ISSUES

As reported in 2022, the year 2021 showed a sharp economic recovery led by a surge in the global diamond market as well as an increase in economic activity that had been suppressed by the Covid-19 related restrictions resulting in an 11.9% growth. Though more subdued, 2022 growth remained strong at 5.8% and fell below the estimates of both the Ministry of Finance (6.7%) and the IMF (6.4%), being lower than the 11.9% growth in 2021 growth. Despite this, economic growth remained strong giving hope that there will be an increase in demand for labour. However, it was reported that despite the promising economic growth, unemployment only reduced marginally from 26.0% in December 2021 to 25.4% by December 2022 meaning the employment creation from the increased economic activity remained slow.

Inflation ended the year at 12.4% which was far in excess of the 3 to 6% Bank of Botswana objective range. The inflation has mainly been driven by a rise in fuel prices that rose as a result of Russia's invasion on Ukraine in February 2022. Another contributor to inflation is the rise in food prices as a result of higher prices for locally produced vegetables following the import restrictions. This inflation is expected to fall to within the Bank of Botswana objective range in 2022 providing hope of reduced pressure on households and providing hope for an increase in disposable income.



SOCIAL ISSUES

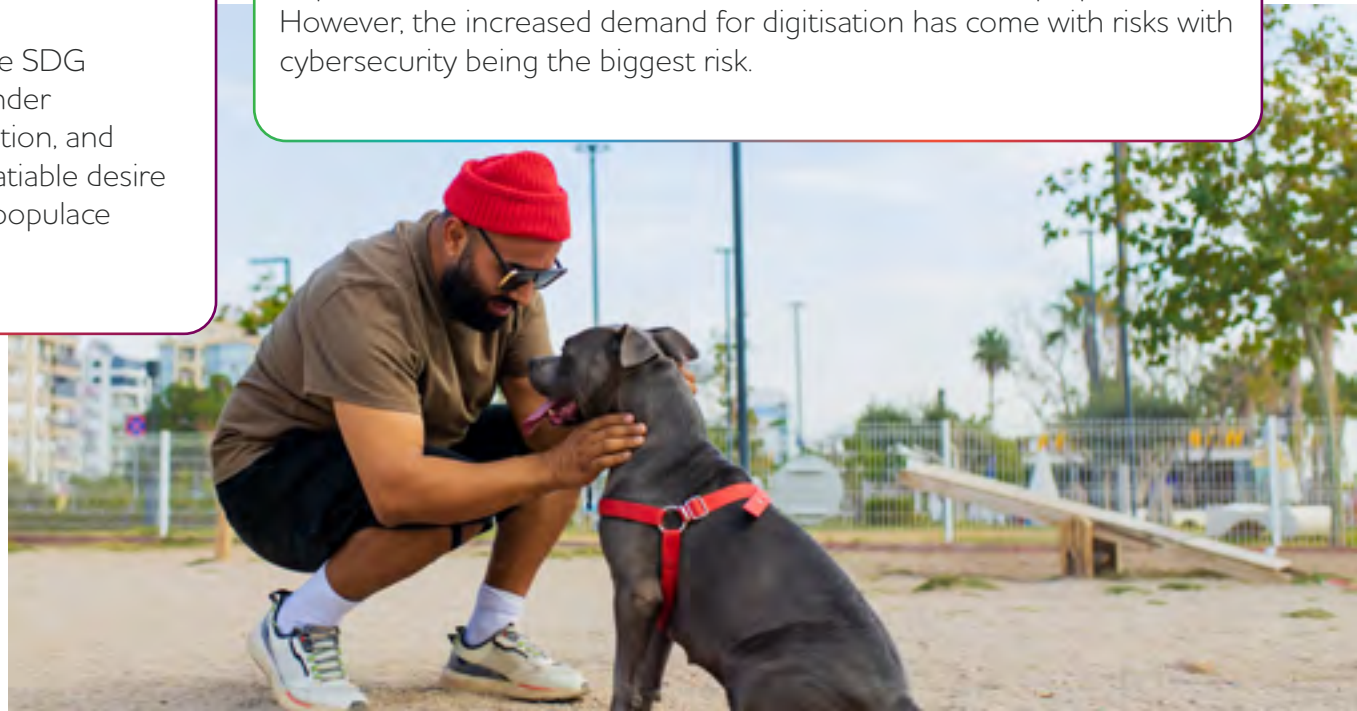
Bomaid recognises that it has a larger calling than to our members but to our broader stakeholder network which includes the Botswana Government and contributing to the global agenda. The Group continues to align to the United Nations Development Plan (UNDP) Sustainable Development Plan 3 (SDG 3) which seeks to ensure that everyone has health coverage and access to safe and effective medicines and vaccines by 2030. SDG 3 provides a beacon on which our product development and enhancement philosophy will be firmly focused as we move into our new strategy for 2022 and beyond as the world seeks good health and well-being for all. Additionally, we are mindful of the role that medical aid funds play in the efforts of the Botswana to combat non-communicable diseases (NCDs) through the Botswana Multi-Sectoral Strategy for the Prevention and Control of Non-Communicable Diseases (2018-2023).

Intricately linked to our SDG 3 objectives will be others like SDG 2 – Zero Hunger (access to nutritious food), SDG 5 - Gender Equality (Diversity and Inclusion), SDG 9 - Industry, Innovation, and Infrastructure. All the above will be underpinned by an insatiable desire to make Bomaid employees, stakeholders, and the larger populace healthier and happier.

TECHNOLOGY ISSUES

It is often said that businesses may have to dramatically change their operating strategy because of changes in the technological environment. The digital revolution has had a material impact on financial inclusion and offers new ways that create ecosystems that map, expand and monetise digital footprints and combine behavioural economics with predictive algorithms to facilitate access and engagement with finance. This is done through digital based financial inclusion (fintech).

Globally, technology adoption has been identified as a key driver of economic growth, and of improved efficiency and productivity. The fourth Industrial revolution and the advent of the restrictions due to the Covid-19 pandemic have collaborated to present opportunities for those who have invested in technological infrastructure as well as present and existential threat for those who were not prepared. However, the increased demand for digitisation has come with risks with cybersecurity being the biggest risk.





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LEGAL ISSUES

The drafting of the Medical Aid Funds Bill is said to be completed and going through final review before it is presented to Parliament. It is envisaged that the framework would cover features like the setup of medical aid funds; benefits; underwriting; governance; statutory requirements and operations and third-party providers. NBFIRA engaged with the industry twice in 2022 and once in 2023 to get input on the provisions of the Act and medical aid funds have, through the Health Funders Association of Botswana (HFAB) provided input and invited comments from the industry.

The Data Protection Act, Act No. 32 of 2018 came into effect in October 2021. A grace period of one year was given to persons processing personal data to allow for them to conform with the provision of the Act. Following from this, the Data Commissioner identified some gaps that needed to be addressed before the law could be fully implemented. This grace period was subsequently extended by another year to allow for the Data Commissioner to set up their office to enforce the act.

The Value Added Tax (Amendment) Act of 2023 came into effect on 3rd May 2023. This amendment Act seeks to introduce zero rating and exemption of specified items and, under this Act, private medical services are exempted from value added tax. This is expected to, in the short term reduce the costs of private healthcare costs to the medical aid where they were covered by the medical aid, and to patients in instances where they were borne by the clients.

ENVIRONMENTAL ISSUES

The Bomaid Board approved a Corporate Citizenship Policy in June 2020.

Bomaid continues to espouse the values of model corporate citizenry and purpose driven existence. With the in mind, the Group has adopted the principles of Environmental, Social and Governance (ESG) in the new strategy.

The ESG principles are anchored on the following tenets:

- **Environmental** - Climate change and carbon emissions, Air & water pollution, Biodiversity, Energy efficiency, Deforestation, Waste Management, & Water Scarcity.
- **Social** - Customer Satisfaction, Data Protection, Gender & Diversity, Community Relations, Employee Engagement, Human Rights, and Labour Standards.
- **Governance** - Board Composition, Executive Compensation, Audit Committee Structure, Bribery & Corruption, Lobbying, Political Contribution and Whistle Blower Schemes.

While the Group has developed a robust policy framework to respond to the social and governance aspects, it is our expectation that we will have to undertake the necessary scans to make the necessary advances for the Environmental principles.



Stakeholders

We aim to create positive societal outcomes through our business activities. We contribute to the health outcomes of our members and their beneficiaries, which in turn creates a more sustainable business for the Group. We assist in the development of our people, and we ensure that our suppliers and underlying investment product providers contribute to positive social and environmental impact through their own business practices.

Responsible corporate citizenship, social responsibility, sound business practice, governance and conducting business in an ethical manner are fundamental to our sustainability and the creation of stakeholder value. Our approach to stakeholder engagement ensures we consider all stakeholders and seek to understand and balance their interests in a fair, equitable and sustainable manner. Through regular stakeholder engagement and robust governance and risk management, we aim to be as inclusive as possible in decision-making. We use this knowledge to shape our business strategies so that we can deliver on our promise to benefit our stakeholders, grow our business, and positively impact society.

With the above in mind, Bomaid continues to embark on annual stakeholder seminars which are held with Members and Health Care Practitioners in Gaborone, Palapye, Francistown and Maun. Coming from Covid-19, 2022 was a more interactive year. After not being able to have physical interaction for 2020 and 2021, we managed to hold a physical AGM on the 29th of June 2022. Furthermore we held six (6) physical member engagement sessions and four virtual sessions with our members and providers in Francistown, Maun and Gaborone. Sixteen (16) consultative sessions were also held with various Health Care Practitioner associations. In addition, Bomaid attended the Northern and Gaborone Business Botswana Trade Fairs as well as The Gantsi Agricultural Show. For the first time this year BOMAID conducted a Relational Capital Reserve (RCR™) survey that identifies how the different stakeholders view and value the Fund. The findings from this survey will be crucial in assisting with building brand affinity with our stakeholders - especially members & service providers. These engagements are integral part of our assessment of our progress in dealing with issues that emanate from our key stakeholders which include our staff, health care service providers and our members.





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STAKEHOLDER CONCERNS AND OUR HIGH-LEVEL RESPONSE

Over the past year, we engaged our stakeholders through several platforms, gathering feedback on various topics. The topics that had the greatest impact on our sustainability and strategy are highlighted here:

STAKEHOLDER	HOW WE ENGAGE THEM	THEIR CONCERNS	OUR RESPONSE
<p>MEMBERS</p> <p>Our members provide the bulk of our financial resources, and our engagement with them contributes to ensuring that we develop and deliver appropriate products and solutions, as well as grow our membership base.</p>	<ul style="list-style-type: none"> • Stakeholder engagement seminars • AGM • Call centre • Email • SMS • Website and social media • Print and electronic media • Tip-off line • Direct telephone 	<ul style="list-style-type: none"> • Affordability • Out of pocket expenses • Quality of services/ Turnaround times • Ease of claims process • Communications • Access to our facilities • Response rate 	<p>During the past year, we have maintained pricing levels in response to the financial constraints faced by our members.</p> <p>In addition, we have rolled-out digital tools to both increase ease of claims, but also to reduce costs such as travel which would be incurred by members when visiting branches.</p> <p>Process reviews were also completed in 2021 and improvements are being implement in 2022.</p> <p>Project Isago is expected to address issues of affordability through a health plan overhaul.</p>
<p>EMPLOYEES</p> <p>Our employees are key to ensuring our delivery to stakeholders. Engaging with employees enables us to develop attractive employee value propositions which stimulate productivity and innovation.</p>	<ul style="list-style-type: none"> • Tip-off line • Staff meetings • Digital media • Social media • Union engagements 	<ul style="list-style-type: none"> • Remuneration • Trust • Communication • Career advancement 	<p>Our employee practices are clearly laid out in our human resources, ethics, and codes of conduct policies. Also, opportunities for employee training and development are offered to enhance our value proposition, and to attract and retain talent.</p>
<p>REGULATORS</p> <p>The actions and decisions that flow from our regulators impact us, our subsidiaries, our strategic partners. In turn this affects our members, beneficiaries, and investors. We engage with our regulators to contribute and provide insight on important topics, to assist in shaping a clear vision and policy environment. In addition, understanding their position enables us to develop appropriate products and solutions, which support our growth.</p>	<ul style="list-style-type: none"> • Email • Telephone calls • Written correspondence • Industry engagement through the Health Funders Association of Botswana (HFAB) 	<ul style="list-style-type: none"> • Compliance with statutes and regulations • Anti-Money Laundering & Countering of Financing of Terrorism • Related Party Transactions • Governance 	<p>Ensuring compliance remains a top priority, and the Group is making progress with assessing the changes that would be required should new legislation be promulgated as well as managing the risks associated with compliance to laws regulating safety standards of drugs.</p>



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Stakeholder Concerns and Our High Level Response (continued)

STAKEHOLDER	HOW WE ENGAGE THEM	THEIR CONCERNS	OUR RESPONSE
<p>GOVERNMENT Our government is responsible for the overall health outcomes of the country. In engaging with government, we ensure that we retain our social licence to operate.</p>	<ul style="list-style-type: none"> • Meetings and workshops • Written Correspondence • Telephone Calls • Email 	<ul style="list-style-type: none"> • Contribution to National Development 	<p>We continue to contribute to national development by increasing access to affordable and innovative healthcare products and solutions for our people.</p>
<p>INDUSTRY BODIES Engaging with industry bodies supplements our knowledge of material topics affecting our industry. It also helps with consolidating views when engaging with regulators and Government.</p>	<ul style="list-style-type: none"> • Meeting and workshops 	<ul style="list-style-type: none"> • Lobbying and consultation at government and private sector levels 	<p>We engage with industry bodies to ensure alignment between the objectives of the various stakeholder concerns and to resolve where there are discrepancies</p>
<p>SOCIETY Similar to our engagements with Government, our engagement with our broader society ensures that we are aware and focus on issues that may affect Bomaid both directly and indirectly and contributes to our strategy development and execution.</p>	<ul style="list-style-type: none"> • Call centre • Website and social media • Electronic and Print media • Tip-off line 	<ul style="list-style-type: none"> • Responsible Corporate citizenship (ESG issues) • Community development 	<p>In addition, we support several worthy social causes such as education to support development in our communities.</p>
<p>SUPPLIERS Our suppliers are key to our delivery of services. Understanding their challenges enables us to maintain the responsiveness of our supply chain, ensuring effective and efficient delivery of services to our members.</p>	<ul style="list-style-type: none"> • Stakeholder engagement seminar • Meetings • Emails • Phone Calls 	<ul style="list-style-type: none"> • Supply chain opportunities 	<p>We engage with health care practitioners, managed care organisations and other support structures to ensure alignment.</p>



Risks and Opportunities

There are several risks which we must manage, both impact us directly and indirectly. Despite mitigations that have been put in place to manage our risks, there remains a level of residual risk, requiring ongoing monitoring. However, risks in our environment also present us with strategic opportunities to turn these risks to our advantage and support our growth. Below we outline those key risks that we are managing and highlight some of the opportunities that may result from successful management of our risks.

RISK CATEGORY	RISK	MITIGATION MEASURES IN PLACE	STRATEGIC OPPORTUNITY
STRATEGIC RISK	Post Covid-19 pandemic impact, and potential of further Covid-19 waves or variants	Monthly Management updates on the impact of the pandemic on the performance of Bomaid and quarterly Board updates.	Remote customer contact requires us to reimagine our service offerings and delivery channels and innovate towards customers' needs.
	Information and cyber risk	Routine company-wide cybersecurity and data protection training Strengthening the IT security position of the organisation through initiatives such as artificial intelligence tools to monitor the IT environment, firewall protection tools, and implementing stronger authentication controls Ongoing identification, analysis, evaluation and control of cybersecurity threats.	Preserve the trust and confidence of our customers and stakeholders in delivering services effectively and safely. We continue to educate and sensitive our employees to create ambassadors for cybersecurity in every area of the business.
	Financial sustainability and growth	Sharper focus and management of benefit cost drivers to optimise fund growth Member growth and retention.	Consolidate strategic alliances and sales and account management capability.
	Failure of realisation of benefits of system overhaul	Optimisation of the systems and processes to support.	Improved customer satisfaction, confirming our value proposition to our customers and support our growth objectives.
	Poor Investment Performance	More robust investment appraisal.	More diversified investment portfolio.
LIQUIDITY RISK	Failure to plan for unexpected cash outflows	Better cash flow management with funds held on short term deposits.	More liquid assets.



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RISK CATEGORY	RISK	MITIGATION MEASURES IN PLACE	STRATEGIC OPPORTUNITY
MARKET RISK	Failure to respond to changing investment environment	Strong focus on scenario planning. Strong focus on alternative investment strategies.	Diversified investment portfolio that reduces concentration risk, smooths out returns, and helps improve long-term portfolio performance.
OPERATIONAL RISK	Increasing levels of fraud	Fraud Waste and Abuse Prevention Policy in implementation Continue to build sources of fraud data analytical insights for proactive risk management.	Create better value for members by reducing areas of abuse Better manage member health by maintaining a sharper focus on benefit utilisation Create a better understanding and risk management of possible points of fraud, waste, or abuse throughout the medical services value chain. Build on enhanced business analytics capability.
	Information Technology risk	Strong IT controls, IT strategy and framework, and business continuity plans in place	Robust IT security strategy and secure data security infrastructure.
REGULATORY RISK	Non-compliance with regulations	Strong capacity within regulatory team to ensure that Management and Board are abreast with changes to regulations, impact of changes, mitigation measures and requirements to remain in compliance. Ongoing collaboration between risk management, internal audit, and external audit in providing assurance on compliance management. We adopt a proactive approach to engagement with regulators; and employ a combination of internal and external resourcing, where needed, to manage developmental requirements.	Strong regulatory compliance protects our license to operate; and positions us well to maintain our market share and attract investment.
PEOPLE RISK	Inability to attract and retain talent	Potential shortage of talent is being addressed through a compelling employee value proposition offering, and effective recruitment, upskilling, and retention of qualified staff.	Be a high-performance organisation, offering an exceptional employment experience that grows and supports its people as a result of effective talent management.
	People, performance & culture	Performance appraisal processes and enhanced employee engagement	A better, more productive workplace culture, talent management and talent retention.



Material Matters

Having considered our external environment, our stakeholder inputs, and our own internal risk matters, we have arrived at the following set of material issues to be addressed in this report. These material matters are those that could significantly affect our business model and our ability to create value for stakeholders, in the short-, medium-, or long-term. Each set of inputs to the determination of materiality went through a process of identification, evaluation, and prioritisation in terms of their likelihood and potential impact on the Group. How we manage these material matters as a Group has implications for our strategy, our governance focus, our stakeholder relationships, as well as our view on risks and opportunities. The table below highlights the key material issues and how we are both managing and responding to them.

POST COVID-19 IMPACT ON HEALTH AND WELLNESS				
Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
Covid-19 has inevitably made us all more concerned about our health and wellness. During the pandemic restoring members' health was top of mind. Post Covid-19, as healthcare leaders, we look to optimise our members' health.	<ul style="list-style-type: none"> • High hospitalisations resulting from late treatment of disease • High cost of curative care 	Early prevention and treatment of disease. Opportunities to effect positive changes in attitudes and behaviours towards health and happiness.	Employees, Members, Regulators, and Health Care Practitioners	We pay attention to the impacts and lessons learnt from the Covid-19 pandemic and continuously monitor health trends. With this information we look for ways to improve and maintain health in efforts to prevent disease rather than cure it.
FRAUD, WASTE, AND ABUSE (FWA)				
Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
Fraud, waste, and abuse deprives our members of their rightful benefits. It also has implication for how we are viewed by our regulators in terms of our ability to safeguard members' interests.	<ul style="list-style-type: none"> • Loss of member confidence • Loss of regulator confidence • Cost leakages 	Enhance brand value through better safeguarding of member benefit utilisation	Members, Regulators, Health Care Practitioners	Implement a comprehensive fraud detection and prevention framework
DATA PROTECTION				
Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
We recognise how personal and confidential the data entrusted to us is; and it is our greatest responsibility to protect member and company data from threat, theft, fraud, or loss.	<ul style="list-style-type: none"> • Data breaches • Loss of public confidence • Fines and penalties • Reputational damage 	Protection against threats and attacks. Reduced risk of harm to customers. Increased trust and public confidence	Members, Regulators	We continue to develop and enhance measures and safeguards to secure the privacy, availability, and integrity of company data and members' personal data.



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TALENT MANAGEMENT

Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
We operate in a skills-scarce country, with competition for attracting talent as employers at its most intense. We need to ensure that we remain able to attract, develop and retain key skills through our Employee Value Proposition	<ul style="list-style-type: none"> Loss of key talent 	<ul style="list-style-type: none"> A diverse and inclusive workplace culture, Increased productivity, innovation, financial sustainability, and customer satisfaction 	Employees, Members	Optimise the talent management framework underpinned by performance management, talent acquisition and retention, and succession planning; and realise a stronger Employee Value Proposition

HIGH INFLATION

Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
High inflation persisted throughout the year, increasing local monetary policy rates and denting consumer purchasing power	<ul style="list-style-type: none"> Loss of financial sustainability Loss of members 	Increased financial sustainability, opportunities to tighten controls around areas of cost leakage, more focus on customer affordability producing more efficient products and services	Members	Our product design philosophy allows us to embrace new ways of servicing our members that are more affordable while always looking for ways to manage increasing health costs that erode members' benefits.

RUSSIA-UKRAINE CONFLICT AND ITS IMPACT ON FUND PERFORMANCE

Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
The Russia Ukraine war had a profound impact on the world causing widespread uncertainty and market volatility	<ul style="list-style-type: none"> Loss of financial sustainability Diminished returns on investments Failure to return value to members 	Increased financial sustainability, and customer satisfaction	Members	The focus of our investment strategy was on preserving investments and value of the fund through watchful engagement with our asset consultants and investment managers.




REGULATORY COMPLIANCE

Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
Ensuring compliance with regulations is key to maintaining our license to operate, avoiding fines, and protecting our brand reputation	<ul style="list-style-type: none"> Loss of operating licence Fines and penalties Reputational damage 	Increased financial sustainability, and brand value	Members, Industry Regulators	We continue to monitor developments in the medical aid industry, locally and in the region, to ensure that we are abreast with impending or new compliance requirements. Our membership of BHF assists in ensuring that we have access to thought leadership and lobbying



Value Created for Stakeholders

Our goal is to deliver value to our stakeholders through our activities. The table below depicts how we create value by using our forms of capital to offer products and solutions that create value for our stakeholders.

Inputs (01 Jan 2022)	Activities	Outputs (31 Dec)	Outcomes (31 Dec)
 <p>Financial</p> <ul style="list-style-type: none"> • Member contributions • Cash generated from investment activities – reinvested in the business • Strong balance sheet – cash position and ability to leverage the balance sheet 	<p>We offer:</p> <ul style="list-style-type: none"> • Diverse and innovative solutions in a cost effective and sustainable manner, through innovation & excellence. 	<p>Products</p> <ul style="list-style-type: none"> • Introduction of Breast Reduction Cover • Improvement on Dietician Benefit to cover all members. • Introduction of Retrenchment Cover. • Improved Cover for Children with Special Needs • Increased Limits for Maternity and Caesarean Section • Introduction of Home Care Benefit • Addition of Covid-19 Vaccine Benefit • Embedded Covid-19 Cover • No of loyalty partnerships – 6 (Mosha Spa, Virgin Active, Grip Runner, Garmin, BIHL, Stanbic Bank Diacore Activation) • Medical Value travel (Indian Hospitals) - Workhardt Hospital and Apollo Hospital • New Members – 4,426 • New Beneficiaries – 10,087 	 <p>Financial</p> <ul style="list-style-type: none"> • Increase in members contributions (revenue) by 9.2% • Reduction in claims cost ratio – from 102% to 93% • Decrease in group deficit – from P102m to P93m • Decrease in scheme operating deficit – from P116.6m to P70.8m • Reduction in solvency ratio – from 48% to 33%
 <p>Human</p> <ul style="list-style-type: none"> • Total employees - 86 • Diversity in employment complement 34:66 (M:F) • Leadership team – experienced executive team 			

**INPUTS (01 JAN 2022)****Intellectual**

- Thought leadership (discussions on universal health, clinical staff representation on committees addressing health issues, Board of health funders)
- Innovative solutions for clients and members
- Strong systems & IT platforms (Thobo)
- Brand value (54% market share)
- Bomaid has over 52 years of value –driven experience in the medical aid industry

**Social & relationship**

- No. of members – 42,635
- No. of beneficiaries – 93,926
- Commanding position in the industry
- Well-known and trusted brand
- Strong strategic partnerships
- Strong stakeholder relationships

**Manufactured**

- Footprint of the pharmaceutical business
- Stock of the MRI
- Fleet of ambulances and EMS vehicles

ACTIVITIES**We offer:**

- Diverse and innovative solutions in a cost effective and sustainable manner, through innovation & excellence

OUTPUTS (31 DEC)

- Dependents on chronic program – 17,794
- Chronic prevalence – 16.1%
- Average mortality rate – 0.306%
- Viral suppression rate – 90%
- Over 93,000 calls answered
- 1,292 road evacuations
- 28 air evacuations

OUTCOMES (31 DEC)

- Decrease in no. of employees - 4
- Decrease in no. of female employees - 1
- No. of youth employees (under 35) - 22
- Decrease in in value of remuneration paid – 1.3%
- Employee retention rate – 99%
- Staff Engagement (RCR) – 72%

**Intellectual**

- Increase in market share – 2%
- Enhancement of IT platforms & systems

**Social & relationship**

- Increase in members - 4,426
- Increase in dependents – 10,087
- Relational Capital Reserve – 62%



SDG ALIGNMENT

Our goal is to deliver value to our stakeholders through our activities. The table below depicts how we create value by using our forms of capital to offer Our primary SDG focus is to improve health outcomes.

We commit to deliver products and services that will provide improved health outcomes (Goal 3) by improving access to affordable health solutions, through our products, solutions, and platforms. We deliver our products and services, by harnessing and developing the skills of our employees (Goal 4). Providing these services in an ethical and responsible manner (Goals 5 and 16). This in turn stimulates growth of the Group, its subsidiaries and strategic partners (Goals 8 & 17), and as a result the wider economy. Below we highlight how our business aligns to selected SDGs.

In this report we disclose our performance on selected SDGs, however, we are in the process of enhancing our monitoring and measurement of our contributions to the SDGs.

“Our goal is to deliver value to our stakeholders through our activities.”





SDG8	SDG3 – Ensuring healthy outcomes	SDG 4 – Quality education	SDG5 – Gender equality	SDG16 – Peace, justice, and strong institutions	SDG17 – Partnerships for the goals
<p>SDG Target 8.5 – Achieve full and productive employment and decent work for all</p>	<ul style="list-style-type: none"> • SDG Target 3.1 – Reduce the global maternal mortality ratio • SDG Target 3.2 – End preventable deaths of newborns and children under 5 years of age • SDG Target 3.3 – End the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases, and other communicable diseases • SDG Target 3.4 – Reduce premature mortality from non-communicable diseases • SDG Target 3.5 – Prevent substance abuse. • SDG Target 3.6 – Halve the number of global deaths and injuries from road traffic accidents • SDG Target 3.7 – Ensure universal access to sexual and reproductive health-care services • SDG Target 3.8 – Achieve universal health coverage • SDG Target 3.a – Tobacco control • SDG Target 3.b – Improve vaccines and medicine access • SDG Target 3.c – Substantially increase health financing and the recruitment, development, training, and retention of the health workforce • SDG Target 3.d – Early risk warning 	<p>SDG Target 4.4 – Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship</p>	<p>SDG Target 5.5 – Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life</p>	<p>SDG Target 16.5 – Substantially reduce corruption and bribery in all their forms</p>	<p>SDG Target 17.1 – Strengthen domestic resource mobilisation</p>



SDG8	SDG3 – Ensuring healthy outcomes	SDG 4 – Quality education	SDG5 – Gender equality	SDG16 – Peace, justice, and strong institutions	SDG17 – Partnerships for the goals
<ul style="list-style-type: none"> • 82 employees 	<ul style="list-style-type: none"> • Maternal mortality ratio of Bomaid members • Neonatal mortality rate & under-5 mortality rate of Bomaid beneficiaries • HIV prevalence rate of Bomaid members • Communicable disease prevalence of Bomaid members • Mortality rate of Bomaid members attributed to cardiovascular disease, cancer, diabetes, or chronic respiratory disease • Death rate of Bomaid members due to road traffic injuries • Proportion of Bomaid female members and beneficiaries of reproductive age (aged 15-49 years) who have their need for family planning satisfied with modern methods. • Adolescent birth rate (aged 10-14 years; aged 15-19 years) per 1,000 women (Bomaid members & beneficiaries) in that age group • Bomaid members provided with access to essential health services • No. of health workers trained 	<ul style="list-style-type: none"> • 1.67% decrease in staff training. • Professional subscriptions paid by organisation. • Training on Cyber Security • Training on Hospital Claims Preauthorisation • BHF Annual Conference • Executive development programme for Chief Executive Officer • Coaching for Chief Operations Officer and Chief Finance Officer • Finance for Non-Finance Managers • Talent Practitioner Certification for HRBP 	<ul style="list-style-type: none"> • 68% of women in workforce • 67% of women in executive management • 20% of women at Board level 	<ul style="list-style-type: none"> • Anti-Money Laundering and Cyber security e-learning courses completed by staff • BAOA audit completed • KYC work started 	<ul style="list-style-type: none"> • New Health Care Practitioner Contract • Framework Agreement for HFAB • New Contracted Provider Network Contract



Trade-Offs

In creating value for stakeholders and managing risks, we are forced to make certain trade-offs. These trade-offs have impacts on our capitals, our stakeholders, and our achievement of strategic objectives. Below we highlight some of the trade-offs we must manage in our operations.

ENSURING OUR FINANCIAL SUSTAINABILITY AND FUND PERFORMANCE, WHILST IMPROVING OUR SERVICE PROVISION

STAKEHOLDERS AFFECTED	IMPACT ON STRATEGY
MEMBERS AND BENEFICIARIES INVESTORS	<p>It is necessary for us to invest in our IT infrastructure to enhance our ability to provide services to our members. However, this decreases our financial resources for other investments.</p> <p>However, members have responded positively to our enhanced digital platforms and communication channels, and the increased peace of mind from our more secure platforms will further enhance member satisfaction. We achieved this while producing good financial performance. We expect that as we become more efficient, we can create further value for our stakeholders.</p> <p>Additionally, the Group has invested in improvements to the premises in which we operate – specifically Bomaid House and the clinic at Airport Junction to further enhance the customer experience.</p> <p>MRI also invested in the acquisition of emergency response vehicles.</p>
MEMBERS AND BENEFICIARIES INVESTORS	<p>During the last year, we experienced increased utilisation of medical aid services owing to an increase in elective procedures as the pressure on the healthcare systems subsided after Covid-19. Additionally, there was an increase in supplier induced demand that led to an increase in claims experience. As a result, our financial performance was negatively affected. On the other hand, the business of MRI depends upon foot traffic at its clinics and pharmacies for revenue generation. The lifting of the restrictions and the high incidence of Covid-19 resulted in increased revenue for the subsidiary.</p>
MEMBERS AND BENEFICIARIES EMPLOYEES	<p>We believe that human capital is a key enabler of our performance, and we need to be able to reward our employees appropriately in return for their efforts. However, increasing employee costs affects our financial performance over the short-term, while the benefits are delivered over a longer term. We need to balance our financial resources whilst ensuring that we continue to build and develop our talent pipelines.</p>
SUPPLIERS, MEMBERS, REGULATORS, GOVERNMENT	<p>We are committed to empowering local service providers and enhancing our supply chain. However, we are also mindful that our standards of quality and good governance must always remain high. In addition, our duty to be prudent with our financial capital and that of our members necessitates that our partnerships provide real value to members.</p>



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BOTSWANA MEDICAL AID SOCIETY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2022

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**Botswana Medical Aid Society**

Consolidated and Separate Financial Statements for the year ended 31 December 2022

General Information**Country of incorporation and domicile**

Botswana

Nature of business and principal activities

The Society raises funds from and grants assistance to its members and their dependants to defray medical expenses.

Board of trustees

F Ferguson	Chairman
O Ramasedi	Deputy chairman
J Ghanie	
E Maite	Resigned 29/06/22
L Motladile	
R Lebelonyane	
L Klein	
B Mhozya	
T Loeto	Appointed 16/12/22
K Nkoko	Appointed 16/12/22

Principal officer

Moraki Mokgosana

Secretary

Moraki Mokgosana

Registered office

Plot 50638
Fairgrounds Office Park
Gaborone
Botswana

Bankers

Access Bank of Botswana Limited
Bank Gaborone Limited
ABSA Bank of Botswana Limited
First National Bank of Botswana Limited
First Rand Bank Limited- South Africa
Stanbic Bank of Botswana Limited
Standard Chartered Bank Botswana Limited
First Capital Bank Limited

Independent auditors

Deloitte & Touche
Plot 64518 Fairgrounds
Gaborone
Botswana

Functional currency

Botswana Pula (P)

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Board of Trustees' Responsibility Statement and Approval of the Consolidated and Separate Financial Statements

The Board of Trustees ("the Board") is responsible for the preparation and fair presentation of the consolidated and separate financial statements ("financial statements") of Botswana Medical Aid Society ("the Society") and its subsidiaries ("the Group"), comprising the consolidated and separate statements of financial position as at 31 December 2022, the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Society's Rules and the Societies Act of Botswana.

The Board is required by the Society's Rules and the Societies Act of Botswana, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group and Society as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS.

The Board's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these consolidated and separate 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 consolidated and separate financial statements are prepared in accordance with IFRS and in the manner required by the Society's Rules and the Societies Act of Botswana and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Board's responsibility also includes maintaining adequate accounting judgements and an effective system of risk management as well as the preparation of the supplementary schedules included in these consolidated and separate financial statements.

The Board acknowledge that they are ultimately responsible for the system of internal financial control established by the Society and place considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Society's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board has made an assessment of the ability of the Group to continue as going concerns and have no reason to believe the businesses will not be going concerns in the year ahead.

The independent auditors are responsible for independently auditing and reporting on the Group's consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the Group's independent auditors and their report is presented on pages 84 to 85.

Approval of the consolidated and separate financial statements of the Society

The consolidated and separate financial statements set out on pages 8 to 65 which have been prepared on the going concern basis, were approved and authorised for issue on 27 April 2023 by the Board of Trustees and were signed on its behalf by:


Risk and Audit Committee Chairperson

Board Chairperson

Principal Officer



Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Independent Auditor's Report

TO THE MEMBERS OF BOTSWANA MEDICAL AID SOCIETY

Opinion

We have audited the consolidated and separate financial statements of Botswana Medical Aid Society ("the Society"), and its subsidiaries ("the Group"), set out on pages 86 to 104 which comprise the consolidated and separate statements of financial position as at 31 December 2022, consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Society as at 31 December 2022 and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Society in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Valuation of the outstanding claims provision (consolidated and separate)	
<p>The outstanding claims provision comprises provisions for the Society's estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date.</p> <p>The determination of the outstanding claims provision requires the Society's Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date. The Trustees make use of independent actuarial specialists for the estimation of the outstanding claims provision.</p> <p>The outstanding claims provision calculation is based on the following of factors:</p> <ul style="list-style-type: none"> • Previous experience in claims patterns. • Claims settlement patterns. • Changes in the nature and number of members according to gender and age. • Trends in claims frequency. • Changes in the claims processing cycle. • Variations in the nature and average cost per claim. <p>Certain of the above-mentioned factors require significant judgements and assumptions to be made by the Society's Trustees. Due to the significance of the outstanding claims provision together with the significant judgements and assumptions involved in determining the provision we have identified the valuation of the outstanding claims provision as a key audit matter.</p> <p>The outstanding claims provision is disclosed in Note 20.</p>	<p>In evaluating the valuation of the outstanding claims provision, we performed various procedures including the following:</p> <ul style="list-style-type: none"> • Tested the design and implementation of the Society's controls relating to the estimation of the outstanding claims provision calculation. • With the assistance of our internal actuarial specialists, we performed an independent calculation of the estimate of the provision using historical claims data and trends and used this estimate as a basis of assessing the reasonableness of the Trustees' estimate of the provision. • Tested the integrity of the information used in the calculation of the outstanding claims provision by selecting samples of claims and tracing them to supporting invoices. • Performed a retrospective review of the outstanding claims provision raised in the 2021 financial year based on actual claims paid in 2022 to verify that the assumptions applied to determine the outstanding claims provision are reasonable. • Performed tests of detail on the current year outstanding claims provision including testing actual claims experience after year end and as close as possible to audit completion date. • Assessed the presentation and disclosure in respect of the outstanding claims provision and considered whether the disclosures reflected the risks inherent in the accounting for the outstanding claims provision and the requirements of IFRS. <p>The assumptions applied in the outstanding claims provision valuation are appropriate and we are satisfied that the valuation of the outstanding claims provision in the Statements of Financial Position is appropriate.</p> <p>The disclosure of the outstanding claims provision provisions and related assumptions are appropriate.</p>

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Independent Auditor's Report (continued)**Other Information**

The Trustees are responsible for the other information. The other information comprises the Trustees' Responsibility Statement and Approval of the Consolidated and Separate Financial Statements and the General Information. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the Consolidated and Separate Financial Statements

The Trustees are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the Trustees determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Trustees are responsible for assessing the Society's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

The Trustees are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Society's or Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's or Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Society and the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Trustees, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

28 April 2023
Gaborone

Deloitte & Touche

Firm of Certified Auditors

Practicing Member: Pragnaben Naik (CAP 007 2023)

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Statements of Profit or Loss and Other Comprehensive Income

Figures in Pula	Note	Consolidated		Separate	
		2022	2021	2022	2021
Continuing operations					
Revenue	21	884,739,237	821,906,522	842,891,748	771,909,724
Benefits paid	22	(726,755,904)	(714,309,717)	(794,735,289)	(786,624,224)
Direct costs		(90,439,750)	(93,703,010)	-	-
Gross profit/(loss)		67,543,583	13,893,795	48,156,459	(14,714,500)
Impairment of investment in subsidiary		-	-	(2,865,760)	-
Impairment of loan to subsidiary company		-	-	(612,718)	-
(Impairment)/reversal of impairment of financial assets	23	(1,768,413)	163,704	(886,257)	904,521
Administration expenses		(145,693,728)	(129,677,055)	(114,606,949)	(102,871,975)
Operating loss	23	(79,918,558)	(115,619,556)	(70,815,225)	(116,681,954)
Finance income	24	9,575,770	10,166,730	9,966,008	10,144,778
Finance costs	25	(1,810,975)	(1,221,911)	(71,071)	(102,315)
Dividend and other income	26	5,972,687	5,896,775	5,602,505	5,793,058
Profit on sale of financial assets		1,217,234	(1,112,199)	1,217,234	(1,112,199)
Restructuring costs		(27,257,540)	-	(27,257,540)	-
Loss before taxation		(92,221,382)	(101,890,161)	(81,358,089)	(101,958,632)
Taxation expense	27	(543,495)	(148,454)	-	-
Loss from continuing operations		(92,764,877)	(102,038,615)	(81,358,089)	(101,958,632)
Discontinued operations					
Loss from discontinued operations	30	-	(674)	-	-
Loss for the year		(92,764,877)	(102,039,289)	(81,358,089)	(101,958,632)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Revaluation of equity instruments at fair value through other comprehensive income	15	(4,120,826)	15,432,642	(4,120,826)	15,432,642
Capital gains deferred taxation release on property revaluation reserve		134,776	97,265	-	-
Total items that will not be reclassified to profit or loss		(3,986,050)	15,529,907	(4,120,826)	15,432,642
Items that may be reclassified to profit or loss:					
Revaluation of debt instruments at fair value through other comprehensive income	15	(3,246,356)	(4,075,520)	(3,246,356)	(4,075,520)
Other comprehensive income for the year net of taxation		(7,232,406)	11,454,387	(7,367,182)	11,357,122
Total comprehensive loss for the year		(99,997,283)	(90,584,902)	(88,725,271)	(90,601,510)
Loss attributable to:					
Members of the Society		(91,917,472)	(102,054,577)	(81,358,089)	(101,958,632)
Non-controlling interests		(847,405)	15,288	-	-
		(92,764,877)	(102,039,289)	(81,358,089)	(101,958,632)

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Statements of Profit or Loss and Other Comprehensive Income (continued)

Figures in Pula	Note	Consolidated		Separate	
		2022	2021	2022	2021
Members of the Society:					
From continuing operations		(91,917,472)	(102,053,903)	(81,358,089)	(101,958,632)
From discontinued operations		-	(674)	-	-
		(91,917,472)	(102,054,577)	(81,358,089)	(101,958,632)
Non-controlling interest:					
From continuing operations		(847,405)	15,288	-	-
Total comprehensive (loss)/income attributable to:					
Members of the Society		(99,157,965)	(90,606,026)	(88,725,271)	(90,601,510)
Non-controlling interests		(839,318)	21,124	-	-
		(99,997,283)	(90,584,902)	(88,725,271)	(90,601,510)

The accounting policies on pages 14 to 27 and the notes on pages 28 to 65 form an integral part of the consolidated and separate financial statements.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Statements of Financial Position

Figures in Pula	Note	Consolidated		Separate	
		2022	2021	2022	2021
Assets					
Non-Current Assets					
Property, plant and equipment	3	78,948,489	73,650,385	39,451,377	37,648,425
Right-of-use assets	4	9,653,140	8,224,469	953,244	391,403
Intangible assets	5	2,034,093	2,739,909	1,602,158	2,403,236
Investments in subsidiaries	6	-	-	11,616,317	14,482,077
Loan to subsidiary company	7	-	-	11,641,650	-
Equity instruments at fair value through other comprehensive income	8	104,794,303	112,120,878	104,794,303	112,120,878
Debt instruments at fair value through other comprehensive income	9	128,770,025	123,354,586	128,770,025	123,354,586
		324,200,050	320,090,227	298,829,074	290,400,605
Current Assets					
Inventories	11	5,630,780	7,456,078	-	-
Loan to subsidiary company	7	-	-	158,331	-
Trade and other receivables	12	39,925,696	19,667,305	32,242,034	15,405,378
Current tax receivable		711,045	705,648	-	-
Cash and cash equivalents	13	114,501,210	198,592,003	107,567,669	197,358,746
		160,768,731	226,421,034	139,968,034	212,764,124
Total Assets		484,968,781	546,511,261	438,797,108	503,164,729
Equity and Liabilities					
Equity					
Equity Attributable to Members of the Society					
Low claim reserve	14	461,910	461,910	461,910	461,910
Financial assets revaluation reserve	15	174,659,134	182,860,839	174,659,134	182,860,839
Property revaluation reserve	16	34,218,357	34,091,668	28,136,484	28,136,484
Accumulated funds		74,619,733	165,753,860	78,480,774	159,055,518
		283,959,134	383,168,277	281,738,302	370,514,751
Non-controlling interest		716,943	1,556,261	-	-
		284,676,077	384,724,538	281,738,302	370,514,751
Liabilities					
Non-Current Liabilities					
Borrowings	17	13,651,548	6,395,914	-	-
Lease liabilities	4	8,222,091	7,743,142	236,076	332,737
Deferred tax	10	462,228	53,509	-	-
		22,335,867	14,192,565	236,076	332,737
Current Liabilities					
Trade and other payables	18	56,501,907	54,789,381	38,886,601	40,805,248
Borrowings	17	1,585,257	929,120	-	-
Lease liabilities	4	3,117,493	2,036,164	798,761	84,142
Subscriptions in advance	19	11,490,190	7,695,962	10,538,088	7,025,738
Outstanding claims	20	78,004,450	82,143,531	79,341,740	84,402,113
Provisions	29	27,257,540	-	27,257,540	-
		177,956,837	147,594,158	156,822,730	132,317,241
Total Liabilities		200,292,704	161,786,723	157,058,806	132,649,978
Total Equity and Liabilities		484,968,781	546,511,261	438,797,108	503,164,729

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Statements of Changes in Equity

Consolidated

Figures in Pula	Low claim reserve	Property revaluation reserve	Financial assets revaluation reserve	Total reserves	Accumulated funds	Total attributable to members of the Society	Non-controlling interests	Total member funds and reserves
Balance at 01 January 2021	461,910	34,000,239	176,086,250	210,086,489	261,327,668	471,876,067	1,535,137	473,411,204
(Loss)/surplus for the year	-	-	-	-	(102,054,577)	(102,054,577)	15,288	(102,039,289)
Other comprehensive income for the year	-	91,429	11,357,122	11,448,551	-	11,448,551	5,836	11,454,387
Realised revaluation gain on equity instruments at fair value through other comprehensive income	-	-	(6,480,769)	(6,480,769)	6,480,769	-	-	-
Realised revaluation loss on debt instruments at fair value through other comprehensive income reclassified to profit or loss	-	-	1,898,236	1,898,236	-	1,898,236	-	1,898,236
Balance at 31 December 2021	461,910	34,091,668	182,860,839	216,952,507	165,753,860	383,168,277	1,556,261	384,724,538
Loss for the year	-	-	-	-	(91,917,472)	(91,917,472)	(847,405)	(92,764,877)
Other comprehensive income/(loss) for the year	-	126,689	(7,367,182)	(7,240,493)	-	(7,240,493)	8,087	(7,232,406)
Realised revaluation gain on equity instruments at fair value through other comprehensive income	-	-	(783,345)	(783,345)	783,345	-	-	-
Realised revaluation gain on debt instruments at fair value through other comprehensive income reclassified to profit or loss	-	-	(51,178)	(51,178)	-	(51,178)	-	(51,178)
Balance at 31 December 2022	461,910	34,218,357	174,659,134	208,877,491	74,619,733	283,959,134	716,943	284,676,077
Note(s)	14	16						

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Statements of Changes in Equity

Separate

Figures in Pula	Low claim reserve	Property revaluation reserve	Financial assets revaluation reserve	Total reserves	Accumulated funds	Total attributable to members of the Society
Balance at 01 January 2021	461,910	28,136,484	176,086,250	204,222,734	254,533,381	459,218,025
Loss for the year	-	-	-	-	(101,958,632)	(101,958,632)
Other comprehensive income for the year	-	-	11,357,122	11,357,122	-	11,357,122
Realised revaluation gain on equity instruments at fair value through other comprehensive income	-	-	(6,480,769)	(6,480,769)	6,480,769	-
Realised revaluation loss on debt instruments at fair value through other comprehensive income reclassified to profit or loss	-	-	1,898,236	1,898,236	-	1,898,236
Balance at 31 December 2021	461,910	28,136,484	182,860,839	210,997,323	159,055,518	370,514,751
Loss for the year	-	-	-	-	(81,358,089)	(81,358,089)
Other comprehensive loss for the year	-	-	(7,367,182)	(7,367,182)	-	(7,367,182)
Realised revaluation gain on equity instruments at fair value through other comprehensive income	-	-	(783,345)	(783,345)	783,345	-
Realised revaluation gain on debt instruments at fair value through other comprehensive income reclassified to profit or loss	-	-	(51,178)	(51,178)	-	(51,178)
Balance at 31 December 2022	461,910	28,136,484	174,659,134	202,795,618	78,480,774	281,738,302
Note(s)	14	16				

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Statements of Cash Flows

Figures in Pula	Notes	Consolidated		Separate	
		2022	2021	2022	2021
Cash flows to operating activities					
Loss before taxation		(92,221,382)	101,890,161	81,358,089	(101,958,632)
Adjustments for:					
Depreciation of property, plant and equipment		6,462,565	5,341,777	2,956,585	2,608,090
Amortisation of right of use of assets		3,139,752	2,784,315	757,544	710,440
Amortisation of intangible assets		909,976	850,376	801,078	801,079
(Profit)/loss on disposal of property, plant and equipment		(229,566)	(8,417)	(116,072)	38,086
Loss/(profit) on sale of financial assets		(1,217,234)	1,112,199	(1,217,209)	1,112,199
Effect of termination of leases		(171,765)	(1,424)	-	-
Effect of exchange rate movement on cash balances		5,896	165,868	5,896	165,868
Finance costs		1,810,975	1,221,911	71,071	102,315
Dividends income		(4,808,491)	(4,639,399)	(4,808,491)	(4,639,399)
Impairment of financial assets		(1,768,413)	(163,704)	(886,257)	(904,521)
Finance income		(9,575,770)	(10,166,730)	(9,966,008)	(10,144,778)
Impairment of investment in subsidiary		-	-	2,865,760	-
Impairment of intercompany loan		-	-	612,718	-
Changes in working capital:					
Inventories		1,825,298	(1,464,748)	-	-
Trade and other receivables		(18,489,978)	(5,580,328)	(15,822,468)	(5,933,625)
Trade and other payables		1,712,526	19,120,789	(2,046,578)	19,511,613
Subscriptions in advance		3,794,228	(1,413,376)	3,512,350	(1,375,179)
Outstanding claims		(4,139,081)	25,956,762	(5,060,373)	27,923,688
Discontinued operations		-	(674)	-	-
Provisions		27,257,540	-	27,257,540	-
Cash used in operations		(85,702,924)	(68,774,964)	(82,441,003)	(71,982,756)
Taxation paid	28	(5,397)	(4,205)	-	-
Net cash to operating activities		(85,708,321)	(68,779,169)	(82,441,003)	(71,982,756)
Cash flows (from)/to investing activities					
Purchase of property, plant and equipment	3	(12,077,721)	(9,973,037)	(4,770,109)	(4,783,538)
Sale of property, plant and equipment proceeds		546,618	63,353	126,644	8,974
Additions to intangible assets	5	(204,160)	(272,209)	-	-
Loan to subsidiary company		-	-	(12,254,368)	-
Sale/(purchase) of investments at fair value		(3,771,461)	(1,952,697)	(3,771,461)	(1,952,697)
Finance income		9,057,241	9,721,639	9,289,123	9,699,687
Dividends received		4,808,491	4,639,399	4,808,491	4,639,399
Net cash generated from/(used) in investing activities		(1,640,992)	2,226,448	(6,571,680)	7,611,825
Cash flows to financing activities					
Repayment of borrowings		(1,188,229)	(717,961)	-	-
Payment on lease liabilities		(2,836,380)	(2,561,712)	(701,427)	(684,964)
Finance costs		(1,810,975)	(1,221,911)	(71,071)	(102,315)
Borrowings raised		9,100,000	1,094,470	-	-
Net cash generated from financing activities		3,264,416	(3,407,114)	(772,498)	(787,279)
Total cash movement for the year		(84,084,897)	(69,959,835)	(89,785,181)	(65,158,210)
Cash at the beginning of the year		198,592,003	268,717,706	197,358,746	262,682,824
Effect of exchange rate movement on cash balances		(5,896)	(165,868)	(5,896)	(165,868)
Total cash at end of the year	13	114,501,210	198,592,003	107,567,669	197,358,746

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Significant Accounting Policies

1. General information

Botswana Medical Aid Society is a medical aid fund registered in Botswana under the Societies Act. The consolidated financial statements comprise the consolidated financial position and results of the Society and its subsidiaries (together referred to as the "Group"). The accounting policies below apply to both the consolidated and separate financial statements.

1.1 Basis of preparation and statement of compliance

The consolidated and separate financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and in a manner required the Society's Rules and Societies Act of Botswana.

The financial statements are prepared on the historical cost basis except for certain financial instruments and leasehold land and buildings which are stated at fair value. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The financial statements are presented in Pula, which is the Group and Society's functional currency.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and 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 which form the basis of making the judgements about carrying values 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 accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Significant judgements in the application of International Financial Reporting Standards consist mainly of the evaluation of the carrying amount of the investment in subsidiaries for possible impairment (per note 6), the assessment of residual values and depreciation rates applied to property, plant and equipment items (per note 3), the revaluation of leasehold land and buildings, (per note 3) the evaluation of trade and other receivables for possible impairment (per note 12) and calculating the provision for outstanding claims (per note 20).

1.2 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Society and entities (including structured entities) controlled by the Society and its subsidiaries. Control is achieved when the Society:

- has power over the investee;
- exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Society reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Society has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Society considers all relevant facts and circumstances in assessing whether or not the Society's voting rights in an investee are sufficient to give it power, including:

- the size of the Society's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Society, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Society has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous directors' meetings.

Consolidation of a subsidiary begins when the Society obtains control over the subsidiary and ceases when the Society loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Society gains control until the date when the Society ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the members of the Society and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the members of the Society and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests

Non-controlling interests are measured, at initial recognition, as the non-controlling proportion of the fair values of the assets and liabilities recognised at acquisition. After initial recognition, non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses.

1.3 Interest in subsidiaries

In the Society's consolidated and separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

- the fair value, at the date of exchange, of assets given, liabilities incurred, and equity instruments issued by the Society;
- and
- any costs directly attributable to the purchase of the subsidiary.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Significant Accounting Policies (continued)

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one period.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Leasehold land and buildings are stated at valuation on the basis of the most recently established open market values with current additions measured at cost. Valuations are obtained from professional independent third parties with sufficient regularity to ensure that the carrying amount does not differ materially from that which would have been determined using fair value at the reporting date. The Group currently obtains valuations of leasehold land and buildings every five years.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated under the heading of properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Leasehold property	Straight line	Lower of useful life and remaining lease period
Furniture and fixtures	Straight line	4 - 10 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	4 - 10 years
IT equipment	Straight line	4 years
Leasehold improvements	Straight line	Lower of 5 years and remaining lease period

Work-in-progress includes the costs of materials, labour and other costs incurred in the construction of work-in-progress at reporting date. Work-in-progress is transferred to property, plant and equipment when the assets are completed and commissioned. Work-in-progress is not depreciated and depreciation commences at the earliest of when the asset is available for use or when the asset is commissioned.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differs from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.
- Intangible assets are initially recognised at cost.

Expenditure on the research phase of a project is recognised as an expense when it is incurred. Internally generated brands, goodwill and items similar in substance are not recognised as intangible assets.

Projects to develop software are recognised when:

- it is technically feasible to complete the project so that it will be available for use.
- there is an intention to complete and use the software.
- there is an ability to use the software.
- the software will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequently, intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Intangible assets are tested for impairment and the remaining carrying amount is amortised over its useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every reporting period-end. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	5 years

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Significant Accounting Policies (continued)

1.6 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Fair value through other comprehensive income (FVOCI);
- Amortised cost.

The classification requirements for debt and equity instruments are described below.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- the Group's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following two measurement categories:

Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured using the

simplified expected loss model. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Fair value through other comprehensive income (FVOCI):

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'profit on sale of financial assets'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Solely Payments of Principal and Interest (SPPI):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments:

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group has irrevocably designated all equity investments at fair value through other comprehensive income with gains and losses reported in the statement of comprehensive income as other comprehensive income under the heading "Will not be reclassified to profit or loss".

Dividend income:

Dividend income is recognised in the period in which the dividends are declared.

Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, loans to group entities, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Significant Accounting Policies (continued)**1.6 Financial instruments (continued)**

The Group always recognises lifetime expected credit loss for trade receivables, contract assets, loans to group entities and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month expected credit loss.

Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost:

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Claims incurred

Claims incurred comprise the total estimated cost of all claims (including claim handling costs) arising from healthcare events that have occurred in the year and for which the Society is responsible in terms of its registered rules, whether or not reported by the end of the year.

Net claims incurred comprise of the following:

- Claims submitted and accrued for services rendered during the year, net of discounts received and recoveries from members for co-payments;
- Movements in the outstanding claims provision.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

1.7 Tax**Current tax assets and liabilities**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Botswana Medical Aid Society

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Significant Accounting Policies (continued)**1.7 Tax (continued)****Tax expenses**

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items recognised in other comprehensive income, in which case the tax is also recognised in other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

All Group entities are subject to taxation except for the Society which is exempt from income taxation in terms of the second schedule of the Botswana Income Tax Act (Chapter 52:01).

1.8 Leases

All leases for which the Group is a lessee are accounted for by recognising a right-of-use asset and a lease liability except for leases of low values assets and leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, discounted using company's incremental borrowing rate on commencement of the lease. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the

balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the group applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is calculated on the first-in-first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1.10 Impairment of assets

The carrying values of the Group's 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.

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 inflows that are largely independent of the cash inflows from other assets or asset Groups. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. 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.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Significant Accounting Policies (continued)**1.10 Impairment of assets (continued)**

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. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.11 Low claim reserve

The Group rewards members who make low or no claims. The reward is comprised of increased claim limits. Where necessary, a transfer is made each year from the operating surplus to the low claims reserve and costs of the increased limits are charged to the reserve. The reserve is however available for other purposes as may be determined by the Board of Trustees and members.

1.12 Employee benefits

The Group has defined contribution pension schemes which are funded through payments to a pension scheme. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. Contributions to an approved defined contribution pension plan are recognised in profit or loss in the year to which these costs relate.

Employees who are not members of these approved pension funds and are not entitled to gratuities per their employment contracts, are entitled to severance benefits as regulated by the Employment Act Chapter 47:01 (2003) of Botswana.

Employee entitlements to annual leave, bonuses, medical aid, pension contributions and housing benefits are recognised when they accrue to employees and an accrual is recognised for the estimated liability as a result of services rendered by employees up to the reporting date.

1.13 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.14 Outstanding claims

This provision, known as the outstanding claims provision, is determined by way of statistically sound analyses of a number of factors, which include previous experience in claim patterns, claim settlement patterns, changes in the number of members according to gender and age, trends in claim frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim. The provision is net of estimated recoveries from members for co-payments. The actuaries follow a standard operating procedure governing the calculation of the provision as agreed with the Society to ensure consistency in application and interpretation of results. The Society does not discount its outstanding claims provision since the effect of the time value of money is not considered material. The adequacy of the provision is assessed on a monthly basis, through reviews of past experience and consideration of changes in fundamentals such as claims processing and composition. Furthermore, the Society has standardised the provision calculation methodology and any deviation to this is adequately supported. The estimation of the provision gives an indication of whether the Society would have adequate assets to cover the potential liability from the Society contracts, as required by accounting policy. The Society has sufficient assets to cover any potential liability from insurance contracts.

Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from managed care organisations and historical evidence of the quantum of similar claims. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate cost of the loss is difficult to estimate. The provision estimation also accommodates the processing and adjudication of different categories of claims (i.e. in hospital, chronic and above threshold benefits). This is caused by differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, the determination of the occurrence date of a claim, and reporting lags.

Members must submit all claims for payment within four months of seeking medical treatment (i.e. the date of service). The cost of outstanding claims at the reporting date is estimated with reference to the actual claims submitted within the first three months after the reporting date that relates to the period before the reporting date. The claims to be submitted in the fourth month, relating to the reporting period, are then extrapolated using the chain ladder method. The chain ladder is the most popular approach for calculating IBNR reserves for medical schemes. This method was originally developed for insurance losses where the period from occurrence to settlement was measured in years. The method has been adapted by medical schemes by using monthly claim development factors rather than annual development factors.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Significant Accounting Policies (continued)**1.15 Revenue from contracts with customers**

Revenue is recognised over time or at a specific point in time depending on the nature of the performance obligations embedded in the contract. Revenue recognition follows a five step model framework model listed below:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Group expects to receive in exchange for the goods or services.

Nature of products and services and timing of revenue recognition

Subscriptions represent the gross subscriptions receivable from active members according to the registered rules. The earned portion of subscriptions received is recognised as revenue. Subscriptions are earned from the date of attachment of risk, over the indemnity period on a straight line basis. Subscriptions are presented before the deduction of service fees and other acquisition costs.

The Group also sells medical drugs and provides medical services, training and call centre services. Medical and call centre services are provided on a fixed term contract basis and are typically billed ratably over the term of the contract.

Revenue from the sale of drugs is recognised at a specific point in time while revenue from all other services is recognised over time. The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are recorded as progress payments to be billed also known as contract assets. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue also known as contract liability.

Member prepayments and overpayments to be allocated as payments against future billings are recorded and presented as subscriptions in advance on the statement of financial position.

Member over-payments which are not allocatable to future billings (due to member termination or refund request by a member) are refunded to the specific member. These amounts are included in trade and other payables on the statement of financial position.

1.16 Borrowing costs

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other finance costs are expensed in the period in which they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.17 Translation of foreign currencies**Foreign currency transactions**

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

1.18 Related party transactions

Related parties are defined as those parties that:

- a) directly, or indirectly through one or more intermediaries:
 - control, are controlled by, or are under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - have an interest in the entity that gives it significant influence over the entity; or
- b) are members of the key management personnel of the entity or its parent including close members of the family.

1.19 Profit or loss from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprises the post tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale (see also Notes 30).

1.20 Critical judgements in applying accounting policies and significant judgements and sources of estimation uncertainty

The following are the critical judgements and estimations, that the Trustees have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated and separate financial statements.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The estimates of useful lives as translated into depreciation rates are detailed in property, plant and equipment policy in the financial statements. These rates and residual lives of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and all other financial assets is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:



Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2022

Significant Accounting Policies (continued)

1.20 Critical judgements in applying accounting policies and significant judgements and sources of estimation uncertainty (continued)

- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing Groups of similar financial assets for the purposes of measuring ECL.

Allowance for slow moving, damaged and obsolete stock

An allowance to write down stock to the lower of cost or net realisable value. Management has made estimates on the selling price and direct costs to sell on certain inventory items.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current last traded price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Impairment testing for investments in subsidiaries

The recoverable amounts of cash-generating units and individual assets have been determined based on the estimated fair values less costs to sell of the subsidiary net assets. The fair value of the subsidiary's net assets was estimated with reference to their carrying amount on the statement of financial position. The subsidiary's significant assets, land and buildings, are carried at revalued amounts and its current assets carrying amounts, due to their short-term nature, are deemed to approximate fair value. The net assets carrying amounts were therefore deemed a reasonable estimate of the subsidiary's recoverable amount. It is reasonably possible that the fair value assumption may change, which may then impact our estimations and may then require a material adjustment to the carrying value of investments in subsidiaries.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, recoverable amounts are estimated for each group of assets.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Revaluation of leasehold land and buildings

The key judgement applied in the valuation of leasehold land and buildings was the selection of the method deemed relevant for the valuation of the Group's properties. The fair value of leasehold land and buildings was determined based on the market comparable approach that reflect recent transaction prices for similar properties. The key estimate in applying the market comparable approach is the adjustment of recently transacted prices of similar properties to reflect the uniqueness of the Group's properties. The Trustees utilise independent professional valuers to minimise the level of estimation uncertainty.

Determining whether the Society has control over subsidiaries

The group holds 100% of the ordinary shares and voting rights in Southview Proprietary Limited.

The Trustees have assessed their involvement in Southview Proprietary Limited, MRI Botswana Limited and Bomaid Limited in accordance with IFRS 10's revised control definition and guidance. The Trustees have concluded that the Society has outright control in the decision making of these entities. In making its judgement, the Trustees considered the group's voting rights. Recent experience demonstrates the group is not prevented from exercising its ability to direct the relevant activities of Southview Proprietary Limited.

Provisions

Provisions are raised and management determines an estimate based on the information available.

Outstanding claims provision

The calculation of the outstanding claims provision involves key judgements and estimation uncertainties in defining applying the method of its measurement as agreed between the Society and its actuaries. The key judgement applied to this provision is the selection of the best method of computing the provision for outstanding claims. The chain ladder method is used by the Society to estimate its provision for outstanding claims liability. The estimation uncertainty arises from:

- Incurred but not reported claims; and
- Closed claims that later become reopened and have additional payments made.

The chain ladder method assumes that prior patterns of losses will exist in the future. The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected claims development for the most recent benefit months for the day-to-day, in hospital, acute and chronic benefit categories of claims. Such estimation includes the assumptions around determining the cost of healthcare benefits that have occurred before the end of the accounting period but have not been reported to the Society by that date.

If no or insufficient allowance is made for these claims, the result is that the Scheme is likely to hold insufficient funds aside for paying claims. This in turn impacts the Society's cash flow and ability to honour claims. The Society does not discount its outstanding claims provision as the effect of the time value of money is not considered material.

Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated And Separate Financial Statements (continued)

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after
Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022
Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022
Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022
Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022
Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022
Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	01 January 2022

The above amendments did not have an impact on these financial statements

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 January 2023 or later periods:

Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The amendment is effective for financial years beginning on or after 01 January 2023.

The amendment is unlikely to have a material impact on the Group's consolidated and separate financial statements.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the consolidated and separate financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The amendment is effective for financial years beginning on or after 01 January 2023.

The amendment is unlikely to have a material impact on the Group's consolidated and separate financial statements.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in consolidated and separate financial statements that are subject to measurement uncertainty."

The amendments are effective for financial years beginning on or after 01 January 2023.

The amendment is unlikely to have a material impact on the Group's consolidated and separate financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The amendment is effective for financial years beginning on or after 01 January 2023.

The amendment is unlikely to have a material impact on the Group's consolidated and separate financial statements.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. The standard will bring significant changes to the accounting for insurance contracts issued and reinsurance contracts held. The adoption of IFRS 17 is expected to have a material impact on the group's financial position and performance. The Society adopts IFRS 17 for the first time on 1 January 2023, with the restatement of comparatives for the financial year ended 31 December 2022.

The Society applies IFRS 17 to insurance contracts it issues. References made to insurance contracts shall deem to imply insurance contracts issued or acquired.

IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and aims to ensure that the Society provides relevant information that faithfully represents the insurance contracts of the Society. This will provide a basis for users of the financial statements to assess the effect that the insurance contracts have on the Society's financial position, performance, and cash flows.

IFRS 17 requires new disclosures about the amounts recognised in the financial statements, including detailed reconciliations of insurance liabilities, the measurement impact of recognising new contracts, and disclosures about significant estimates and judgements made when applying the Standard. Disclosures will be expanded with additional detail on the nature and extent of risks related to insurance contracts.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

2. New Standards and Interpretations (continued)

IFRS readiness

The IFRS 17 transition task force has been driving the implementation plan and comprises experts from across actuarial support, architecture, data, systems and processes support and finance, reporting and technical accounting.

The Society has completed an IFRS 17 gap analysis on 18 October 2022 which considered the products in existence as of 31 December 2022. These products include A Standard Happy, A Happy, B Happy, C Happy and the International Student Plan; as well as value added benefits.

The Society is currently in the initial phase of its IFRS 17 implementation which considers the findings from the IFRS 17 gap analysis and includes a detailed implementation plan to assess the impact of applying IFRS 17 to each of the products. The initial phase of IFRS 17 involves policy and methodology decisions, key judgements and significant estimations and assumptions relating to these products. The calculation of the transition values and the resulting impact on the comparative period will then follow.

Upon completion of implementing IFRS 17, Management would have:

- Identified, recognised, and measured each group of insurance contracts as if IFRS 17 had always applied.
- Identified, recognised, and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied.
- Derecognised any existing balances that would not exist had IFRS 17 always applied.
- Recognised any resulting net difference in equity.

Apart from the above, developments expected in 2023 involve assessing and calculating the impact of IFRS 17 on the new products that were issued on 1 January 2023 and incorporating the new reporting process into business as usual.

Accounting policies

The accounting policies documented below reflect the preliminary decisions based on the current stage of completion of the implementation project. These decisions are subject to change upon finalisation of pending matters and completion of external audit review.

Accounting policies relating to the following aspects are still pending - reinsurance contracts held, measurement model classification, risk adjustment for non-financial risk and expense allocations.

The comprehensive set of accounting policies to be adopted will be reflected in the annual financial statements for the year ending 31 December 2023.

a) Classification and separation of components

The Society is a private medical aid provider in Botswana. As a result, the Society serves private, institutional, and individual customers, issuing contracts to members to compensate the member for medical and funeral related costs, subject to certain limits. The compensation is due when a claimable event occurs which is considered uncertain and as a result, the Society bears the morbidity and mortality risks. When the claimable event occurs, the member is considered to be adversely affected due to the cost the member would have to bear.

An entity determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Given the nature of the medical care and funeral benefits covered by the plans, the present value of the amounts payable by the Society on a claimable event over what would have been payable had the event not take place is considered significant on a contract by contract basis. Furthermore, there is a possibility of the Society incurring a loss on each contract entered into.

Based on the assessment made, there is a transfer of significant insurance risk from the member to the Society under each contract issued for the various plans.

An entity assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under IFRS 9 or IFRS 15 instead of under IFRS 17. After separating any distinct components, an entity applies IFRS 17 to all remaining components of the (host) insurance contract. The product range offered by the Society for the year ended 31 December 2022 does not include separately identifiable components. Each of the products offered by Bomaid exposes the Society to morbidity risk and mortality risk. Each product has its own benefits and limits; however, the underlying insurance risk remains the same. Therefore, the respective products are subject to similar risks.

b) Aggregation

IFRS 17 requires an entity to determine the level of aggregation for applying its recognition and measurement requirements. The level of aggregation for the Society is determined firstly by dividing the business written into portfolios which is considered to be the individual schemes. Portfolios comprise groups of contracts with similar risks which are managed together. The Society is exposed predominantly to morbidity risk as it exceeds the mortality risk. Therefore, the respective policies within each scheme are subject to similar risks and are managed together.

The Society has made a provisional assessment on whether a series of contracts need to be treated together as one unit of account based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. It was determined that the lowest unit of account is the insurance contracts and not the individual insurance risks underwritten, therefore, the contracts are not further disaggregated by risks. IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. The annual cohorts are determined with reference to the benefit year which is aligned with the financial year.

The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently
- A group of the remaining contracts in the portfolio

The profitability of groups of insurance contracts issued is assessed by actuarial valuation models that take into consideration existing and new business written. Based on a preliminary assessment, the following portfolios: A Standard Happy, A Happy and B Happy are considered to contain onerous contracts. A detailed assessment will be performed at a later stage.

c) Measurement

The Society measures insurance contracts by performing year-to-date estimates of the carrying amount of the insurance liabilities. The measurement model to be used is not yet finalised.

Recognition

The Society recognises groups of insurance contracts it issues from the earliest of the beginning of the coverage period of the group of contracts, the date when the first payment from a member in the group is due or when the first payment is received if there is no due date, or for a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Significant Accounting Policies (continued)

2. New Standards and Interpretations (continued)

Contract boundaries

The Society includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Society can compel the member to pay the premiums, or in which the Society has a substantive obligation to provide the member with insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- The Society has the practical ability to reassess the risks of the member and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
 - The Society has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
 - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts. The Society has provisionally determined the contract boundary to be 12 months with reference to its substantive obligation.

Initial and subsequent measurements

The measurement model applicable under IFRS 17 is under discussion due to the premium waiver benefit embedded in insurance contracts issued.

In the event that the Premium Allocation Approach (PAA) is adopted, on initial recognition of each group of insurance contracts, the carrying amount of the liability for the remaining coverage is measured at the premiums received on initial recognition. The scheme may elect to recognise insurance acquisition cash flows as expenses when they are incurred. Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. The Society expects that the time between providing each part of the services and the related premium due date will be between twelve and twenty-four months.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the scheme will recognise a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfillment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfillment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted.

The Society will recognise the liability for incurred claims of a group of contracts at the amount of the fulfillment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred. In the event the General Measurement Model (GMM) is adopted, the principles noted below will apply.

Fulfillment cash flows

An entity shall include in the measurement of a group of contracts all the future cash flows within the boundary of each contract in the group. The estimates of future cash flows shall incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. fulfillment cash flows exclude expense cash flows that are not directly attributable to the fulfillment of the insurance contracts.

The Society assessed the following future cash flows to arise:

- Premiums (cash inflow)
- Policy administration and maintenance costs (cash outflow)
- Payments from incurred claims (cash outflow)
- Directly attributable costs (cash outflow)

The cash flows will be further split into the following for determining the Liability for Incurred Claims ('LIC') and Liability for Remaining Coverage ('LRC'):

- Incurred Claims (reported and unreported)
- Claims handling costs
- Premiums
- Attributable expenses
- Expected claims payouts

The following method/ technique of estimation for the identified cash flows in computing LIC are expected (based on an analysis of historical payment patterns):

- A combination of apriori/ FNOL (first notification of loss) estimates as well as case estimates (based on claims assessors' feedback) depending on the stage at which each claim is.
- Based on traditional actuarial triangulation methods as well as management input on the expectations of claims experience.

Once the measurement model is finalised, the key best estimate assumptions will be determined.

Risk adjustment

Risk adjustment measures the compensation required by an entity to make it indifferent between fulfilling a liability arising from non-financial risk and one having fixed cashflows with the same present value.

IFRS 17 does not specify the estimation techniques used to determine the risk adjustment. However, the estimation technique must provide informative disclosure that enable benchmarking of performance. The Society is expected to use the Value-at-Risk (VaR) method for both LIX and LRC. The following parameters have preliminary been chosen, subject to further detailed analysis:

- Confidence level between the 80th and 90th percentile.
- Time horizon of one year.
- An assumption that the distribution of the cash flows are normal, calibrated to reflect the confidence level.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Significant Accounting Policies (continued)

2. New Standards and Interpretations (continued)

IFRS 17 further allows for an accounting policy choice between segregating the total risk adjustment between the insurance service result and financial result. The Society elects to not segregate the total risk adjustment.

Discount rates

The estimates for future cash flows are adjusted to reflect the time value of money, to the extent not included in the estimates of future cash flows.

IFRS 17 provides two methods available to derive an appropriate discount rate, either the top-down or the bottom-up approach. The Society elects to adopt the bottom-up approach. The Government bond curves issued by the Bank of Botswana will be used to determine the risk-free rate.

Principles applicable regardless of the measurement model classification:

Derecognition

The Society will derecognise a contract when the rights and obligations relating to the contract are extinguished, i.e., expired, discharged, or cancelled.

If a contract modification results in derecognition, a new contract is recognised on the modified terms.

Amounts recognised in profit or loss

IFRS 17 will significantly change how insurance contracts are presented and disclosed in the consolidated financial statements. The Society is required to disaggregate the amounts recognised in the statement(s) of profit or loss and other comprehensive into the impact from insurance risk and financial risk.

- Insurance finance income or expenses
- The insurance service result will comprise:
 - Insurance revenue
 - Insurance service expense
- Insurance service expense include an allocation of fixed and variable overheads that are directly attributable to fulfilling the insurance contracts.
- Net income/ expense from reinsurance contracts held (if any). Alternatively, the gross amounts recovered and allocation of the premiums paid may also be presented, with the sub-total (if applicable).

Transition to IFRS 17

Application of IFRS 17 at transition date requires Bomaid to:

- Derecognise any existing balances that would not exist had IFRS 17 been applied and recognise the IFRS 17 balances that replace these.
- Recognise a net deferred tax asset based on the net impact of derecognising such balances and the IFRS 17 balances that would replace these, in accordance with tax regulations concerning the implementation of IFRS 17.
- Recognise any resulting net difference in equity.

When determining the insurance balances at transition, the IFRS 17 Standard should be applied retrospectively as if it had always applied unless it is "impracticable" to do so based on the requirements in IAS 8: Accounting policies, Changes in Accounting Estimates and Errors. Where it is impracticable to apply IFRS 17 retrospectively, alternative transition methods are permitted. Where impracticable the modified retrospective approach or the fair value approach may be applied. It is provisionally assessed that the Society will adopt IFRS 17 by applying the full retrospective approach for groups of contracts in force at transition date, as required by IFRS 17. Nothing thus far in the IFRS 17 implementation process has indicated otherwise, however, this is subject to change.

Lease liability in a sale and leaseback - Amendment to IFRS 16

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The amendment is effective for financial years beginning on or after 01 January 2024.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Non-current Liabilities with Covenants - Amendments to IAS 1

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The amendment is effective for financial years beginning on or after 01 January 2024.

The effect of the standard is not yet known and is currently being assessed against non-current liability contracts held by the group.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated And Separate Financial Statements (continued)
3. Property, plant and equipment
Figures in Pula

Consolidated	2022			2021		
	Cost or revaluation	Accumulated depreciation	Carrying amount	Cost or revaluation	Accumulated depreciation	Carrying amount
Leasehold property	61,245,194	(3,186,463)	58,058,731	59,788,787	(1,569,630)	58,219,157
Furniture and fixtures	17,009,314	(10,480,167)	6,529,147	17,132,066	(11,270,109)	5,861,957
Motor vehicles	10,095,018	(5,225,198)	4,869,820	6,409,075	(4,702,267)	1,706,808
Office equipment	889,626	(760,984)	128,642	664,544	(469,447)	195,097
IT equipment	14,415,721	(10,496,824)	3,918,897	11,698,763	(6,674,788)	5,023,975
Leasehold improvements	4,939,022	(2,825,350)	2,113,672	4,939,022	(2,295,631)	2,643,391
Capital work in progress	3,329,580	-	3,329,580	-	-	-
Total	111,923,475	(32,974,986)	78,948,489	100,632,257	(26,981,872)	73,650,385

Separate	2022			2021		
	Cost or revaluation	Accumulate depreciation	Carrying amount	Cost or revaluation	Accumulated depreciation	Carrying amount
Leasehold property	32,766,994	(2,099,523)	30,667,471	32,758,787	(1,030,511)	31,728,276
Furniture and fixtures	3,724,186	(863,904)	2,860,282	2,712,533	(586,903)	2,125,630
Motor vehicles	2,360,000	(959,007)	1,400,993	1,195,200	(835,667)	359,533
Office equipment	889,626	(760,984)	128,642	664,544	(469,447)	195,097
IT equipment	7,242,209	(4,963,785)	2,278,424	7,254,147	(4,014,258)	3,239,889
Capital work in progress	2,115,565	-	2,115,565	-	-	-
Total	49,098,580	(9,647,203)	39,451,377	44,585,211	(6,936,786)	37,648,425

Reconciliation of property, plant and equipment - Consolidated - 2022
Figures in Pula

	Opening carrying amount	Additions	Disposals	Depreciation	Closing carrying amount
Leasehold property	58,219,157	1,456,408	-	(1,616,834)	58,058,731
Furniture and fixtures	5,861,957	2,141,866	(42,848)	(1,431,828)	6,529,147
Motor vehicles	1,706,808	4,394,873	(258,166)	(973,695)	4,869,820
Office equipment	195,097	-	-	(66,455)	128,642
IT equipment	5,023,975	754,994	(16,038)	(1,844,034)	3,918,897
Leasehold improvements	2,643,391	-	-	(529,719)	2,113,672
Capital work in progress	-	3,329,580	-	-	3,329,580
	73,650,385	12,077,721	(317,052)	(6,462,565)	78,948,489

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Consolidated - 2021

Figures in Pula

	Opening carrying amount	Additions	Disposals	Depreciation	Closing carrying amount
Leasehold property	58,030,000	1,758,787	-	(1,569,630)	58,219,157
Furniture and fixtures	4,132,488	2,776,838	(1,523)	(1,045,846)	5,861,957
Motor vehicles	1,661,416	626,214	(7,876)	(572,946)	1,706,808
Office equipment	261,551	-	-	(66,454)	195,097
IT equipment	3,558,767	3,083,788	(45,537)	(1,573,043)	5,023,975
Leasehold improvements	1,429,839	1,727,410	-	(513,858)	2,643,391
	69,074,061	9,973,037	(54,936)	(5,341,777)	73,650,385

Reconciliation of property, plant and equipment - Separate - 2022

Figures in Pula

	Opening carrying amount	Additions	Disposals	Depreciation	Closing carrying amount
Leasehold property	31,728,276	8,208	-	(1,069,013)	30,667,471
Furniture and fixtures	2,125,630	1,022,708	(4,239)	(283,817)	2,860,282
Motor vehicles	359,533	1,400,000	-	(358,540)	1,400,993
Office equipment	195,097	-	-	(66,455)	128,642
IT equipment	3,239,889	223,628	(6,333)	(1,178,760)	2,278,424
Capital work in progress	-	2,115,565	-	-	2,115,565
	37,648,425	4,770,109	(10,572)	(2,956,585)	39,451,377

Reconciliation of property, plant and equipment - Separate - 2021

Figures in Pula

	Opening carrying amount	Additions	Disposals	Depreciation	Closing carrying amount
Leasehold property	31,000,000	1,758,787	-	(1,030,511)	31,728,276
Furniture and fixtures	1,239,946	1,094,762	(1,523)	(207,555)	2,125,630
Motor vehicles	588,829	-	-	(229,296)	359,533
Office equipment	261,551	-	-	(66,454)	195,097
IT equipment	2,429,711	1,929,989	(45,537)	(1,074,274)	3,239,889
	35,520,037	4,783,538	(47,060)	(2,608,090)	37,648,425

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

3. Property, plant and equipment (continued)

Details of properties

Consolidated

The Group's leasehold land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. The Group's leasehold land and buildings were revalued on 31 December 2020 by Cribs Proprietary Limited trading as Apex Properties (Messrs Apex Properties), independent valuers not related to the Group.

"The Group revalues leasehold land and buildings every five years. Leasehold land and buildings comprise of the following:

- Lot 50638 Fairgrounds, Gaborone, measuring 4,386 square meters, which property is held under a Deed of Fixed Period State Grant for 50 years commencing 4 February 1994. The leasehold land and buildings were independently valued at P31,000,000 on the open market value basis in December 2020.
- Lot 60601, Block 7, Gaborone, measuring 11707 square metres, which property is held under a deed of fixed period state grant of 50 years commencing 27 November 2008. This property was independently valued on the open market value basis in December 2020 and its fair value was determined to be P20,000,000. The property is encumbered as per note 17.
- Lot 20623 Gaborone West, Extension 34, measuring 1562 square metres, which property is held under a deed of fixed period state grant of 50 years commencing 17 February 1999. This property was independently valued on the open market value basis in December 2020 and its fair value was determined to be P6,700,000. The property is encumbered as per note 17.
- Tribal Lot 734, Maun, measuring 1337 square metres, held under a long term lease agreement for 50 years commencing 15 October 1996. This property was independently valued on the open market value basis in December 2020 and its fair value was determined to be P330,000."

If the cost model had been used, the carrying amounts of the revalued land and buildings, would be P39,134,430 (2021:P38,697,110) for the Group.

Separate

The leasehold land and buildings comprise Lot 50638 Fairgrounds, Gaborone, measuring 4,386 square meters, which property is held under a Deed of Fixed Period State Grant for 50 years commencing 4 February 1994. The leasehold land and buildings were independently valued at P31,000,000 on the open market value basis in December 2020.

If the cost model had been used, the carrying amounts of the revalued land and buildings, would be P22,223,945 (2021:P23,155,242) for the Society. Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Group and its respective subsidiaries.

Consolidated and Separate

- The open market value basis is defined as the estimated amount for which the property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties each acted knowledgeably, prudently and without compulsion.
- The estimated useful lives, residual values and depreciation methods are reviewed by management at each reporting date, with the effect of any changes in estimates accounted for on a prospective basis. The review did not highlight any requirement for an adjustment to the residual values and useful lives used in the current or prior years.
- The revaluation surplus, net of deferred capital gains tax was credited to the revaluation reserve in other comprehensive income.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

4. Right of use assets and lease liabilities

The Group held fourteen (14) leases at 1 January 2022 (14 in 2021) in its capacity as the lessee. Six (6) new leases were entered into in the 2022 financial year (5 in 2021). Two (2) leases (2 in 2021) expired and three (3) leases were terminated (1 in 2021) in the 2021 financial year. As at 31 December 2022, the lease contracts comprise of fourteen (14) property leases (15 in 2021) and one (1) motor vehicle lease (2 in 2021).

A weighted average incremental borrowing rate of 5.25% (2021: 5.25%) and 8.5% (2021: 8.5%) for the Society and its subsidiaries, respectively, was applied in the calculation of the discounted present value of the lease liabilities on 31 December 2022.

Right-of-use assets - Consolidated

Figures in Pula	2022			2021		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Buildings	17,715,431	(8,134,993)	9,580,438	15,670,681	(8,486,691)	8,103,646
Motor vehicles	150,416	(77,714)	72,702	249,627	(128,804)	120,823
	17,865,847	(8,212,707)	9,653,140	15,920,308	(8,615,495)	8,224,469

Right-of-use assets - Separate

Figures in Pula	2022			2021		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Buildings	3,717,334	(2,764,090)	953,244	1,101,843	(710,440)	391,403

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

4. Right of use assets and lease liabilities (continued)

Right-of-use asset reconciliation - Consolidated

2022 - In Pula

	Buildings	Motor vehicles	Total
Balance at 1 January 2022	8,103,647	120,822	8,224,469
Additional leases	5,224,893	-	5,224,893
Terminated leases	(656,470)	-	(656,470)
Depreciation	(3,091,630)	(48,122)	(3,139,752)
Balance at 31 December 2022	9,580,440	72,700	9,653,140

2021 - In Pula

	Buildings	Motor vehicles	Total
Balance at 1 January 2021	6,753,819	177,963	6,931,782
Additional leases	4,423,064	-	4,423,064
Terminated leases	(12,676)	-	(12,676)
Modifications	(333,386)	-	(333,386)
Depreciation	(2,727,174)	(57,141)	(2,784,315)
Balance at 31 December 2021	8,103,647	120,822	8,224,469

Separate

The Society entered into one (1) new lease contract at 1 January 2022 in its capacity as the lessee.

2022 - In Pula

	Buildings	Total
Balance at 01 January 2022	391,403	391,403
Additional leases	1,319,385	1,319,385
Depreciation	(757,544)	(757,544)
Balance at 31 December 2022	953,244	953,244

2021 - In Pula

	Buildings	Total
Balance at 01 January 2021	-	-
Additional leases	1,101,843	1,101,843
Depreciation	(710,440)	(710,440)
Balance at 31 December 2021	391,403	391,403

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)
4. Right of use assets and lease liabilities (continued)
Lease liabilities

Minimum lease payments due:

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
Within one year	3,922,427	2,682,767	830,435	103,585
Two to five years	7,633,351	6,924,393	248,389	359,744
More than five years	2,360,929	2,923,085	-	-
	13,916,707	12,530,245	1,078,824	463,329
Less: future finance charges	(2,577,123)	(2,750,939)	(43,987)	(46,450)
Present value of minimum lease payments	11,339,584	9,779,306	1,034,837	416,879
Present value of minimum lease payments due				
within one year	3,117,493	1,952,023	798,761	84,142
in second to fifth year inclusive	6,196,346	5,425,441	236,076	332,737
later than five years	2,025,745	2,401,842	-	-
	11,339,584	9,779,306	1,034,837	416,879
Non-current liabilities	8,222,091	7,743,142	236,076	332,737
Current liabilities	3,117,493	2,036,164	798,761	84,142
	11,339,584	9,779,306	1,034,837	416,879
Other disclosures				
Payment of interest on lease liabilities	942,111	760,523	71,071	38,426
Principal lease payments	2,836,380	2,561,712	701,427	684,964
	3,778,491	3,322,235	772,498	723,390

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)
5. Intangible assets

Consolidated	2022			2021		
	Cost / revaluation	Accumulated depreciation	Carrying amount	Cost / revaluation	Accumulated depreciation	Carrying amount
Computer software	5,685,963	(3,651,870)	2,034,093	5,481,803	(2,741,894)	2,739,909

Figures in Pula Separate	2022			2021		
	Cost or revaluation	Accumulate depreciation	Carrying amount	Cost or revaluation	Accumulated depreciation	Carrying amount
Computer software	4,005,394	(2,403,236)	1,602,158	4,005,394	(1,602,158)	2,403,236

Reconciliation of intangible assets - Consolidated - 2022

Figures in Pula	Opening balance	Additions	Amortisation	Closing balance
Computer software	2,739,909	204,160	(909,976)	2,034,093

Reconciliation of intangible assets - Consolidated - 2021

Figures in Pula	Opening balance	Additions	Amortisation	Closing balance
Computer software	3,318,076	272,209	(850,376)	2,739,909

Reconciliation of intangible assets - Separate - 2022

Figures in Pula	Opening balance	Amortisation	Closing balance
Computer software	2,403,236	(801,078)	1,602,158

Reconciliation of intangible assets - Separate - 2021

Figures in Pula	Opening balance	Amortisation	Closing balance
Computer software	3,204,315	(801,079)	2,403,236

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

6. Investments in subsidiaries

The following table lists the entities which are controlled directly by the Society, and the carrying amounts of the investments in the Society's financial statements.

Separate

Name of company	Held by	% holding 2022	% holding 2021	Carrying amount 2022	Carrying amount 2021
Bomaid Limited	Botswana Medical Aid Society	100.00 %	100.00 %	100	100
Southview Proprietary Limited	Botswana Medical Aid Society	100.00 %	100.00 %	50,551,969	50,551,969
				50,552,069	50,552,069
Impairment of investment in subsidiaries				(38,935,752)	(36,069,992)
				11,616,317	14,482,077

Reconciliation of investment in subsidiaries

Opening balance	14,482,077	14,482,077
Impairment of investment in subsidiary	(2,865,760)	-
Closing balance	11,616,317	14,482,077

Movement in impairment of investment in subsidiary is illustrated as follows:

Opening balance	(36,069,892)	(36,069,892)
Current impairment of investment in subsidiary	(2,865,760)	-
Closing balance	(38,935,652)	(36,069,892)

Sub-subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are material to the Group. The summarised financial information is provided prior to intercompany eliminations.

Subsidiary	Country of incorporation	% Ownership interest held by non-controlling interest	
		2022	2021
MRI Botswana Proprietary Limited	Botswana	6%	6%

Summarised statement of financial position

Assets	MRI Botswana Limited	
	2022	2021
Non-current assets	48,922,495	44,683,762
Current assets	22,627,928	16,364,229
Total assets	71,550,423	61,047,991

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

6. Investments in subsidiaries (continued)

	2022	2021
Liabilities		
Non-current liabilities	34,590,235	14,276,706
Current liabilities	25,011,123	20,833,577
Total liabilities	59,601,358	35,110,283
Total net assets	11,949,065	25,937,708
Carrying amount of non-controlling interest	716,943	1,556,261

Summarised statement of profit or loss and other comprehensive income

	MRI Botswana Limited	
	2022	2021
Revenue	114,213,221	125,703,622
Other income and expenses	(127,793,145)	(125,300,376)
Loss/(profit) before tax	(13,579,924)	403,246
Tax release/(charge)	(543,495)	(148,454)
Loss/(profit) after tax	(14,123,419)	254,792
Other comprehensive income for the year	-	97,265
Total comprehensive (loss)/income for the year	(14,123,419)	352,057
(Loss)/profit allocated to non-controlling interest	(847,405)	15,288

Summarised statement of cash flows

	2022	2021
Cash flows from operating activities	(3,029,723)	3,438,966
Cash flows to investing activities	(7,037,833)	(4,290,907)
Cash flows from/(to) financing activities	15,819,132	(3,951,994)
Net changes in cash and cash equivalents	5,751,576	(4,803,935)

Dormant subsidiary - 100% owned

The Society registered a fully owned subsidiary (Bomaid Limited) during the year. The subsidiary is registered and domiciled in Botswana and is dormant.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

7. Loan to subsidiary company

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
MRI Botswana Limited			11,799,981	-
The loan to the subsidiary company comprises of:				
Principal amount			12,254,368	-
Accrued interest			158,331	-
			12,412,699	-
Expected credit losses			(612,718)	-
			11,799,981	-
<p>The Society granted a loan facility of P20,000,000 to its subsidiary (MRI Botswana Limited) at an interest rate of prime plus 3% (9.26% as at the reporting date). An amount P12,254,368 had been drawn down as at the reporting date. Interest on the drawn down amount is payable monthly over the period of the loan. Capital repayments will commence 2 years from the date of utilisation of the facility and payable in 120 equal monthly installments. The loan is secured against MRI's movable assets.</p>				
Maturity profile of loan to subsidiary company				
Within one year			1,277,541	-
In second to fifth year inclusive			7,145,397	-
More than five years			12,115,504	-
			20,538,442	-
Less future finance costs			(8,125,743)	-
Present value of loan repayments			12,412,699	-
Present value of loan repayments				
Within one year			158,331	-
In second to fifth year inclusive			3,143,025	-
More than five years			9,111,343	-
			12,412,699	-
Split between non-current and current portions				
Non-current assets			11,641,650	-
Current assets			158,331	-
			11,799,981	-

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

8. Equity instruments at fair value through other comprehensive income

Investments held by the Group which are measured at fair value, are as follows:

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
Equity investments at fair value through other comprehensive income:	104,794,303	112,120,878	104,794,303	112,120,878

Investments in unitised funds have been designated, at initial recognition, as at fair value through other comprehensive income. The reason for this designation as opposed to fair value through profit or loss, is to avoid the effect of volatilities in mixed pools of financial instruments from impacting profit or loss. The specific unitised investments which are measured at fair value through other comprehensive income are as follows:

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
Held directly			Fair value 152,658	Fair value 152,658
BIFM Asset Management			69,050,787	68,029,418
Ninety One Fund Managers Botswana			35,590,858	43,938,802
Total			104,794,303	112,120,878

Summary of investments held by Fund Manager - Consolidated and Separate 2022	Held directly	BIFM Asset Management	Ninety One Fund Managers Botswana	Total
	P	P	P	P
Onshore equity investments	152,658	36,200,791	14,183,771	50,537,220
Offshore equity investments	-	32,849,996	21,407,087	54,257,083
Total equity investments as disclosed per note above	152,658	69,050,787	35,590,858	104,794,303
Cash and money market investments (Note 13)	-	38,200,109	38,427,726	76,627,835
Onshore debt instruments at fair value through other comprehensive income (Note 9)	-	58,658,536	37,589,006	96,247,542
Offshore debt instruments at fair value through other comprehensive income (Note 9)	-	21,278,622	11,243,861	32,522,483
Total investments by fund manager	152,658	187,188,054	122,851,451	310,192,163

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

8. Equity instruments at fair value through other comprehensive income (continued)

Summary of investments held by Fund Manager - Consolidated and Separate 2021	Held directly	BIFM Asset Management	Ninety one Fund Managers Botswana	Total
	P	P	P	P
	Onshore equity investments	152,658	34,944,887	12,204,541
Offshore equity investments	-	33,084,531	31,734,261	64,818,792
Total equity investments as disclosed per note above	152,658	68,029,418	43,938,802	112,120,878
Cash and money market investments (Note 13)	-	41,324,267	29,558,620	70,882,887
Onshore debt instruments at fair value through other comprehensive income (Note 9)	-	55,289,482	34,582,989	89,872,471
Offshore debt instruments at fair value through other comprehensive income (Note 9)	-	18,720,010	14,762,105	33,482,115
Total investments by fund manager	152,658	183,363,177	122,842,516	306,358,351

9. Debt instruments at fair value through other comprehensive income

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
Onshore bonds	96,247,542	89,872,471	96,247,542	89,872,471
Offshore bonds	32,522,483	33,482,115	32,522,483	33,482,115
	128,770,025	123,354,586	128,770,025	123,354,586

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)
10. Deferred tax

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
Deferred tax asset				
Property plant and equipment	(602,777)	(545,132)	-	-
Assessed tax losses	3,330,521	649,742	-	-
Leases	2,340,246	2,181,454	-	-
Right of use of assets	(1,978,559)	(1,835,928)	-	-
Unrealised exchange differences	658	2,483	-	-
General provision for bad debts	179,533	90,906	-	-
Revaluation of property plant and equipment	(462,228)	(597,004)	-	-
Unrecognised deferred tax asset	(3,269,622)	-	-	-
Total deferred tax liability	(462,228)	(53,479)	-	-

The Group has recognised a deferred tax asset in respect of the self-assessed income tax losses only to the extent that management believes the Group will generate sufficient future taxable income to utilise the tax loss before expiry.

Deferred tax asset	(462,228)	(53,479)	-	-
Reconciliation of deferred tax liability				
At beginning of year	(53,509)	68,075	-	-
Movement per statement of comprehensive income	(543,495)	(218,849)	-	-
Deferred tax to other comprehensive income	134,776	97,265	-	-
Balance at end of the year	(462,228)	(53,509)	-	-

11. Inventories

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
Dispensary drugs, medicine and consumables	729,926	1,163,484	-	-
Merchandise	4,900,854	6,292,594	-	-
	5,630,780	7,456,078	-	-

The cost of inventories recognised in the consolidated financial statements as an expense during the year amounted to P47,240,351 (2021: P47,525,734). No inventories are expected to be recovered after more than twelve months as the Group does not hold excess inventory.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

12. Trade and other receivables

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
Financial instruments:				
Trade receivables	15,702,586	11,309,263	9,592,180	6,787,029
Loss allowance	(3,444,624)	(2,340,924)	(1,192,021)	(970,477)
Trade receivables at amortised cost	12,257,962	8,968,339	8,400,159	5,816,552
Wellness receivables	41,820	95,475	41,820	95,475
Amounts due from related parties	-	-	127,931	452,124
Other receivables	3,013,032	10,008,692	2,276,199	8,717,213
Non-financial instruments:				
Prepayments	24,612,882	594,799	21,395,925	324,014
Total trade and other receivables	39,925,696	19,667,305	32,242,034	15,405,378
Financial instrument and non-financial instrument components of trade and other receivables				
At amortised cost	15,312,814	19,072,506	10,846,109	15,081,364
Non-financial instruments	24,612,882	594,799	21,395,925	324,014
	39,925,696	19,667,305	32,242,034	15,405,378

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable customers with consistent payment histories. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers. Customer credit limits are in place and are reviewed and approved by management. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

The average credit period on trade receivables is 30 days (2021: 30 days). No interest is charged on outstanding trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Botswana Medical Aid Society

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Notes to the Consolidated and Separate Financial Statements (continued)

12. Trade and other receivables (continued)

Consolidated

Figures in Pula	2022	2022	2021	2021
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Not past due: 5% (2021: 5%)	10,084,992	(504,250)	7,309,774	(365,489)
Less than 30 days past due: 7% (2021: 7%)	2,408,653	(168,605)	1,903,360	(133,236)
31 - 60 days past due: 35.89% (2021: 54.4%)	567,825	(203,798)	371,668	(202,517)
61 - 90 days past due: 78.30% (2021: 80.721%)	337,069	(263,923)	439,749	(354,970)
91 - 120 days past due: 100% (2021: 100%)	2,304,048	(2,304,048)	1,284,712	(1,284,712)
Total	15,702,587	(3,444,624)	11,309,263	(2,340,924)

Separate

Figures in Pula	2022	2022	2021	2021
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Current: 5% (2021: 5%)	7,469,523	(373,476)	5,205,517	(260,276)
31 - 60 days past due: 7% (2021: 7%)	1,402,271	(98,159)	936,894	(65,583)
61 - 90 days past due: 100% (2021: 100%)	112,792	(112,792)	160,230	(160,230)
91 - 120 days past due: 100% (2021: 100%)	210,955	(210,955)	293,577	(293,577)
Over 120 days past due: 100% (2021: 100%)	396,639	(396,639)	190,811	(190,811)
Total	9,592,180	(1,192,021)	6,787,029	(970,477)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade receivables:

Opening balance in accordance with IFRS 9	(2,340,924)	(3,677,628)	(970,477)	(3,118,569)
Provision raised	(2,282,728)	(1,999,502)	(1,192,021)	(970,447)
Amounts written off	664,713	1,243,571	664,713	1,243,571
Release to income statement - receivables provided for and recovered	514,315	2,092,635	305,764	1,874,968
Closing balance	(3,444,624)	(2,340,924)	(1,192,021)	(970,477)
Impairment expense comprises of:				
Provision for expected credit losses	(1,768,413)	93,133	(886,257)	904,521
Receipts recovered recognised in profit or loss	-	70,571	-	-
	(1,768,413)	163,704	(886,257)	904,521

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Notes to the Consolidated and Separate Financial Statements (continued)

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
13. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	34,871	30,070	2,342	3,585
Bank balances	32,583,291	50,433,605	25,682,279	49,226,833
Short-term deposits	5,255,213	77,245,441	5,255,213	77,245,441
Other cash and cash equivalents	76,627,835	70,882,887	76,627,835	70,882,887
	114,501,210	198,592,003	107,567,669	197,358,746
Cash and cash equivalents held by the entity that are not available for use by the group.	50,000	50,000	50,000	50,000
Staff gratuity and long term incentive investments	5,255,213	4,020,185	5,255,213	4,020,185
Cash and bank balances comprise cash and deposits with financial institutions which are payable on demand.				
14. Low claim reserve				
Low claim reserve	461,910	461,910	461,910	461,910
15. Financial assets revaluation reserve				
The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed off or determined to be impaired.				
Realised revaluation gains from debt instruments at fair value through other comprehensive income are reclassified to profit or loss and realised revaluation gains on equity instruments at fair value through other comprehensive income are transferred directly to equity.				
Opening balance	182,860,839	176,086,250	182,860,839	176,086,250
Unrealised revaluation (loss)/gain on financial assets that will not be reclassified to profit or loss	(4,120,826)	15,432,642	(4,120,826)	15,432,642
Unrealised revaluation loss on financial assets that may be reclassified to profit or loss	(3,246,356)	(4,075,520)	(3,246,356)	(4,075,520)
Realised revaluation (gain)/loss on financial assets reclassified to profit or loss	(51,178)	1,898,236	(51,178)	1,898,236
Realised revaluation gain on financial assets transferred directly to retained earnings	(783,345)	(6,480,769)	(783,345)	(6,480,769)
	174,659,134	182,860,839	174,659,134	182,860,839

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Notes to the Consolidated and Separate Financial Statements (continued)

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
16. Property revaluation reserve				
The property revaluation reserve arises on the revaluation of leasehold land and buildings. When revalued leasehold land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the property revaluation reserve will not be reclassified subsequently to profit or loss.				
Opening balance	34,091,668	34,000,239	28,136,484	28,136,484
Income tax relating to the revaluation of property	134,776	97,265	-	-
Non-controlling interest	(8,087)	(5,836)	-	-
	34,218,357	34,091,668	28,136,484	28,136,484
17. Borrowings				
Property development loan (i)	5,492,240	6,230,564	-	-
Call centre development loan (ii)	922,070	1,094,470	-	-
Other bank loan (iii)	8,822,495	-	-	-
	15,236,805	7,325,034	-	-

(i) The Group developed a fit-for-purpose office building on Lot 60601, Block 7, at a cost of P16.5 million. P10.5 million of the total development cost was financed through financial institutions with the remaining balance financed through cash flows from operating activities.

Interest is charged at the Botswana prime lending rate (currently 5.25% per annum) (2021: 5.75% per annum).

Bank Gaborone Limited ("the bank") has the following securities against the loans:

- A first Covering Mortgage Bond for P9.21 million over Plot 60601, Block 7, Gaborone.
- A second Covering Mortgage Bond for P5.8 million over Plot 60601, Block 7, Gaborone.
- Registered Cession of Fire Policy of P27.5 million for the fit-for-purpose office building.
- A First Covering Mortgage Bond for P4.3 million over Plot 20623 in Block 3
- Registered Cession of Fire Policy for P6.55 million.

(ii) The Group obtained a loan facility of P1,094,470 to pay for the lease developments at one of its call centres. Interest is charged at a rate of 8.5%. The loan is repayable over a 54 month period commencing in March 2022.

(iii) The Group obtained a loan of P9,100,000 from Bank Gaborone Limited during the year. Interest is charged at 8.76% per annum. The loan is repayable over a 10 year period from July 2022 and is collateralised as follows:

- 1st continuing covering mortgage bond for BWP9,210,000 over Lot 60601 Gaborone
- 2nd continuing covering mortgage bond for BWP5,800,000 over Lot 60601 Gaborone
- registered cession of fire policy-BWP27,500,000
- 1st continuing coverage mortgage bond for BWP4,300,000 over Lot 20623 Gaborone
- registered cession of fire policy-BWP6,550,000

Botswana Medical Aid Society

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Notes to the Consolidated and Separate Financial Statements (continued)

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
17. Borrowings (continued)				
Maturity profile of borrowings				
Amounts due within one year	2,837,681	1,310,075	-	-
Amounts due within two to five years	10,959,454	5,338,148	-	-
Amounts due within after five years	7,545,632	2,131,471	-	-
	21,342,767	8,779,694	-	-
Less future finance charges	(6,105,962)	(1,454,660)	-	-
	15,236,805	7,325,034	-	-
Present value of borrowings				
Amounts due within one year	1,585,257	929,120	-	-
Amounts due within two to five years	7,388,198	4,376,732	-	-
Amounts due within after five years	6,263,350	2,019,182	-	-
	15,236,805	7,325,034	-	-
18. Trade and other payables				
Financial instruments:				
Trade payables	11,025,022	10,948,717	-	-
Trade payables - related parties	-	-	1,985,921	2,534,005
Refunds due to members	10,041,155	14,665,338	10,041,155	14,665,338
Other accrued expenses	14,075,636	10,069,656	11,819,850	8,855,464
Deposits received	47,725	47,725	-	-
Other payables	376,878	449,566	376,878	449,566
Non-financial instruments:				
Payroll accruals*	20,596,562	18,504,805	14,457,955	14,300,875
Withholding tax	215,936	7,190	204,842	-
VAT	122,993	96,384	-	-
	56,501,907	54,789,381	38,886,601	40,805,248
Financial instrument and non-financial instrument components of trade and other payables				
At amortised cost	35,556,416	36,181,002	24,223,804	26,504,373
Non-financial instruments	20,935,491	18,608,379	14,662,797	14,300,875
	56,502,907	54,789,381	38,886,601	40,805,248



About Bomaid

Ownership and Structure Chairperson's Message

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
19. Subscriptions received in advance				
Subscriptions received in advance - medical aid	11,490,190	7,695,962	10,538,088	7,025,738

These are amounts received from members during the current year which relate to the following financial year.

20. Outstanding claims

This balance represents the fair value of claims which were due and payable as at year end. The obligation approximates the total value of claims which were paid subsequent to the reporting date within the four month period in accordance with the Society's rules.

The Society has adopted the chain ladder methodology by applying it to monthly claim development factors. By adopting monthly development factors, the chain ladder method automatically adjusts for the timing of the last claims run relative to the accounting period cut-off. This adjustment must be performed annually for the chain ladder method using monthly development factors. The claim development factors are based on the Bomaid claim reporting patterns over the latest two years.

The adjusted chain ladder method employs a Bornhuetter-Ferguson approach to address the inability of the chain ladder to accurately predict ultimate claims incurred estimates for the latest reporting year(s). Again, a similar shortcoming is evident with using the chain ladder method for medical schemes using monthly development factors. The Society has adopted the method to make it applicable to using monthly development factors. The ultimate claims incurred for the latest month are estimated using an independent forecast for the claims incurred based on the prior month's claims.

Reconciliation of outstanding claims provision

Opening balance	82,143,531	56,186,769	84,402,113	56,478,425
Prior year under provision	8,452,966	10,674,547	10,732,173	10,674,547
Current year increase in provision	80,263,032	82,143,531	79,341,740	84,402,113
Payment in respect of prior year	(92,855,079)	(66,861,316)	(95,134,286)	(67,152,972)
	78,004,450	82,143,531	79,341,740	84,402,113

21. Revenue**Revenue from contracts with customers is disaggregated as follows:**

Sale of goods at a point in time - pharmacy drugs	12,074,079	13,956,109	-	-
Rendering of services over time - fees earned	32,773,217	38,578,874	-	-
Subscriptions	839,397,416	768,668,914	842,397,223	771,207,099
Wellness program	494,525	702,625	494,525	702,625
	884,739,237	821,906,522	842,891,748	771,909,724

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Notes to the Consolidated and Separate Financial Statements (continued)

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
22. Benefits paid				
Dental	40,762,195	54,644,502	40,762,195	54,644,502
Hospital	195,774,781	144,147,852	195,774,781	144,147,852
Consultation and drugs	328,806,766	248,419,365	384,659,820	308,048,757
Maternity	16,310,949	15,364,777	16,310,949	15,364,777
Optical and appliances	62,683,693	61,676,028	62,683,693	61,676,028
Funeral	4,542,088	4,489,875	4,542,088	4,489,895
Emergency	-	-	12,069,122	11,938,233
Chronic ailments	54,785,085	63,819,558	54,785,085	63,819,558
Special benefit	19,041,829	20,414,791	19,041,829	20,414,791
Severe illness benefit cover	1,034,376	1,017,953	1,034,376	1,017,953
Wellness program costs	262,687	641,871	312,096	702,330
Covid-19 claims intervention	2,751,455	99,673,145	2,759,255	100,359,548
	726,755,904	714,309,717	794,735,289	786,624,224
23. Operating loss				
Operating loss for the year is stated after charging (crediting) the following, amongst others:				
Audit fees - current year	1,739,736	1,283,900	1,309,936	790,300
Audit fees - prior year	311,150	250,000	311,150	200,000
Internal audit fees	631,206	88,231	631,206	88,231
Staff pension contributions-defined pension contribution plan	5,035,385	5,144,175	3,049,524	3,275,233
Impairment of financial assets	1,768,413	(163,704)	886,257	(904,521)
(Profit)/loss on disposal of property, plant and equipment	(229,566)	8,417	(116,072)	(38,086)
Foreign exchange loss/(gain)	2,022,683	(5,843,154)	2,034,501	(5,845,174)
Depreciation of property, plant and equipment	6,462,565	5,290,944	2,956,585	2,608,090
Depreciation of right of use asset	3,139,752	2,784,315	757,544	710,440
Amortisation of intangible assets	909,976	850,376	801,078	801,079
Key management remuneration	21,662,655	17,512,137	12,061,139	8,184,316
Trustees' fees	1,367,100	2,254,415	1,185,600	2,254,415
Staff costs	93,815,687	97,994,573	46,059,263	46,670,862
Loss/(profit) on sale of financial assets - realised loss	(51,178)	1,898,236	(51,178)	1,898,236
on debt instruments at fair value through other				
comprehensive income reclassified to profit or loss				
Profit on sale of financial assets - money market investments	(1,166,056)	(786,037)	(1,166,056)	(786,037)

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
24. Finance income				
Interest from investments	9,575,770	10,166,730	9,966,008	10,144,778
25. Finance costs				
Lease liabilities	942,111	760,523	71,071	38,426
Interest on borrowings	856,965	397,499	-	-
Other finance costs	11,899	63,889	-	63,889
Total finance costs	1,810,975	1,221,911	71,071	102,315
26. Dividend and other income				
Other rental income	789,814	542,050	82,688	141,750
Shared services fee	-	-	360,000	360,000
Dividends	4,808,491	4,639,399	4,808,491	4,639,399
Sundry income	374,382	715,326	351,326	651,909
	5,972,687	5,896,775	5,602,505	5,793,058
27. Taxation				
Major components of the tax expense				
Current				
Current taxation	-	(70,395)	-	-
Deferred				
Deferred tax	543,495	96,601	-	-
Arising from previously unrecognised tax loss	-	122,248	-	-
	543,495	218,849	-	-
	543,495	148,454	-	-

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Notes to the Consolidated and Separate Financial Statements (continued)

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
27. Taxation (continued)				
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.	(92,221,382)	(101,890,161)	(81,358,089)	(101,958,632)
Accounting (loss)/profit	(20,288,704)	(22,415,835)	(17,898,780)	(22,430,899)
Tax at the applicable tax rate of 22% (2021: 22%)				
Tax effect of adjustments on taxable income				
Disallowed expenditure	-	7,887	-	-
Unutilised tax losses	-	51,853	-	-
Bomaid exempt income*	17,301,121	22,504,549	17,898,780	22,430,899
Unrecognised deferred tax asset	3,269,622	-	-	-
Disallowed expenditure	261,456	-	-	-
	543,495	148,454	-	-

*The Society is exempt from taxation in terms of the second schedule of the Botswana Income Tax Act (Chapter 52:01).

28. Tax paid				
Balance at beginning of the year	705,648	631,048	-	-
Current tax for the year recognised in profit or loss	-	70,395	-	-
Balance at end of the year	(711,045)	(705,648)	-	-
	(5,397)	(4,205)	-	-

29. Provision				
Reconciliation of provisions - Group - 2022				
		Opening balance	Additions	Total
Restructuring		-	27,257,540	27,257,540
Reconciliation of provisions - Company - 2022				
		Opening balance	Additions	Total
Restructuring		-	27,257,540	27,257,540

The restructuring provision is an estimated liability for retrenchment costs due to a restructuring exercise implemented by the Society during the financial year. The restructuring provision is an estimate with reference to separation terms approved by the Board of Trustees. The related terms of termination were communicated to the Society's employees during the financial year, with affected employees leaving employment effective 31 March 2023.

Botswana Medical Aid Society

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Notes to the Consolidated and Separate Financial Statements (continued)

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
30. Discontinued operations				
Due to the significant losses the company was making since inception, the shareholder assessed a number of options to curtail further losses. On 9 September 2016, the shareholder, through a resolution of the directors of the company decided to close down Alpha Access Proprietary Limited and sell its assets. On 11 April 2017, the shareholder, Southview Proprietary Limited, decided to cease operations of Alpha Access Proprietary Limited. The assets were fully disposed and the company was deregistered during the financial year.				
Profit and loss				
Other income	-	787	-	-
Bank charges	-	(1,461)	-	-
Net loss before tax	-	(674)	-	-
Tax	-	-	-	-
	-	(674)	-	-
Assets and liabilities				
Assets of disposal groups				
Trade and other receivables	-	154,316	-	-
Cash and cash equivalents	-	55,675	-	-
	-	209,991	-	-
Equity				
Stated capital	-	22,813,503	-	-
Accumulated loss	-	(22,603,512)	-	-
	-	209,991	-	-

31. Commitments

Authorised capital expenditure

The Group approved total capital expenditure of P38,057,431 (2021: P41,546,325) to carry out strategic projects in the short to medium term. These capital commitments are yet to be contracted.

The commitments will be funded through internally generated cash resources supplemented by a Bank Gaborone Limited overdraft facility of P9.1 million to one of the subsidiary companies in the Group. Refer to note 13 for details and terms of the overdraft facility.

32. Contingencies

There were no known material contingencies as at the financial reporting date.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
33. Related parties				
Relationships				
Subsidiary of Botswana Medical Aid Society	Southview Proprietary Limited			
Subsidiary of Southview Proprietary Limited	MRI Botswana Limited			
Subsidiary of Southview Proprietary Limited	Alpha Access Proprietary Limited			
Subsidiary of Botswana Medical Aid Society	Bomaid Limited			
Related party balances				
Year end balances arising from rendering of services included in outstanding claims				
MRI Botswana Limited - outstanding claims payable			(1,337,290)	(2,258,582)
Other amounts due to related parties - non claims				
MRI Botswana Limited - payable			(302,597)	(212,925)
Alpha Access Proprietary Limited - payable			-	(154,316)
Southview Proprietary Limited - payable			(1,683,324)	(2,166,764)
			(1,985,921)	(2,534,005)
Amounts receivable from related parties - non claims				
MRI Botswana Limited - receivable			127,931	452,124
Amounts due to and from related parties are interest free, unsecured and without any repayment terms.				
Related party transactions				
Compensation to directors and other key management				
Directors'/trustees' fees	1,367,100	2,121,382	1,185,600	1,852,882
Key management remuneration	21,662,655	17,243,637	12,061,139	8,184,316
	23,029,755	17,243,637	13,246,739	10,037,198
Remuneration of key management personnel				
Short-term employment benefits	16,844,666	14,115,176	9,167,349	6,505,629
Post employment benefits	4,817,989	3,128,461	2,893,790	1,678,687
	21,662,655	17,243,637	12,061,139	8,184,316

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Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

Figures in Pula	Consolidated		Separate	
	2022	2021	2022	2021
33. Related parties (continued)				
Expenditure transactions with MRI Botswana Limited for services rendered				
Claims paid for dispensary			55,853,055	59,629,393
Medical rescue services			12,069,122	11,938,253
Call center charges			1,386,540	843,598
Rental expense			102,190	95,939
Wellness program			49,409	60,459
Staff training			-	10,534
Standby			-	2,500
Covid-19 testing and medical examinations			7,800	683,902
Contributions received			-	327,688
			69,468,116	73,592,266
Revenue transactions with MRI Botswana Limited for services rendered				
Subscriptions for medical aid			(2,999,807)	(2,538,185)
Shared service costs			(360,000)	(360,000)
Rental income			(82,688)	(141,750)
Interest received from related parties			(444,207)	-

34. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets - In Pula

Consolidated - 2022

	Note(s)	Fair value through other comprehensive income - debt instruments	Fair value through other comprehensive income - equity instruments	Amortised cost	Total	Fair value
Equity instruments at fair value through other comprehensive income	8	-	104,794,303	-	104,794,303	104,794,303
Debt instruments at fair value through other comprehensive income	9	128,770,025	-	-	128,770,025	128,770,025
Trade and other receivables	12	-	-	15,312,814	15,312,814	15,312,814
Cash and cash equivalents	13	-	-	114,501,210	114,501,210	114,507,784
		128,770,025	104,794,303	129,814,024	363,378,352	363,384,926

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

34. Financial instruments and risk management (continued)

Consolidated - 2021

	Note(s)	Fair value through other comprehensive income - debt instruments	Fair value through other comprehensive income - equity instruments	Amortised cost	Total	Fair value
Equity instruments at fair value through other comprehensive income	8	-	112,120,878	-	112,120,878	112,120,878
Debt instruments at fair value through other comprehensive income	9	123,354,586	-	-	123,354,586	123,354,586
Trade and other receivables	12	-	-	19,072,506	19,072,506	19,072,506
Cash and cash equivalents	13	-	-	198,592,003	198,592,003	198,592,003
		123,354,586	112,120,878	217,664,509	453,139,973	453,139,973

Separate - 2022

	Note(s)	Fair value through other comprehensive income - debt instruments	Fair value through other comprehensive income - equity instruments	Amortised cost	Total	Fair value
Loans to subsidiary company	7	-	-	11,799,981	11,799,981	-
Equity instruments at fair value through other comprehensive income	8	-	104,794,303	-	104,794,303	104,794,303
Debt instruments at fair value through other comprehensive income	9	128,770,025	-	-	128,770,025	128,770,025
Trade and other receivables	12	-	-	10,846,109	10,846,109	10,846,109
Cash and cash equivalents	13	-	-	107,567,669	107,567,669	107,574,243
		128,770,025	104,794,303	130,213,759	363,778,087	351,984,680

Separate - 2021

	Note(s)	Fair value through other comprehensive income - debt instruments	Fair value through other comprehensive income - equity instruments	Amortised cost	Total	Fair value
Equity instruments at fair value through other comprehensive income	8	-	112,120,878	-	112,120,878	112,120,878
Debt instruments at fair value through other comprehensive income	9	123,354,586	-	-	123,354,586	123,354,586
Trade and other receivables	12	-	-	15,081,364	15,081,364	15,081,364
Cash and cash equivalents	13	-	-	197,370,358	197,370,358	197,370,358
		123,354,586	112,120,878	212,451,722	447,927,186	447,927,186

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

34. Financial instruments and risk management (continued)

Categories of financial liabilities - In Pula

Consolidated - 2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	18	35,566,416	35,566,416	35,566,416
Borrowings	17	15,236,805	15,236,805	15,236,805
Leases	4	11,339,584	11,339,584	11,339,584
		62,142,805	62,142,805	62,142,805

Consolidated - 2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	18	36,181,002	36,181,002	36,181,002
Borrowings	17	7,325,034	7,325,034	7,325,034
Leases	4	9,779,306	9,779,306	9,779,306
		53,285,342	53,285,342	53,285,342

Separate - 2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	18	24,223,804	24,223,804	24,223,804
Leases	4	1,034,837	1,034,837	1,034,837
		25,258,641	25,258,641	25,258,641

Separate - 2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	18	26,504,373	26,504,373	26,504,373
Leases	4	416,879	416,879	416,879
		26,921,252	26,921,252	26,921,252

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2021.

The capital structure of the Group consists of net debt (borrowings as detailed in notes 17, offset by cash and bank balances) and equity of the Group (comprising low claim reserve, property revaluation reserve, financial assets revaluation reserve, accumulated funds and non-controlling interests as shown in the statement of financial position). The Group has adequate cash resources to cover its debts as at 31 December 2022.

The Group is not subject to any externally imposed capital requirements.

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Notes to the Consolidated and Separate Financial Statements (continued)

Figures in Pula	Notes	Consolidated		Separate	
		2022	2021	2022	2021
34. Financial instruments and risk management (continued)					
Capital risk management (continued)					
Borrowings	17	15,236,805	7,325,034	-	-
Lease liabilities	4	11,339,584	9,779,306	1,034,837	416,879
Trade and other payables	18	56,501,907	54,789,381	38,886,601	40,805,248
Subscriptions received in advance	19	11,490,190	7,695,962	10,538,088	7,025,738
Outstanding claims		82,143,531	56,186,769	84,402,113	56,478,425
Provision for restructuring costs		27,257,540	-	27,257,540	-
Total borrowings		203,969,557	135,776,452	162,119,179	104,726,290
Cash and cash equivalents					
Net shortfall/(cash)	13	(114,501,210)	(198,592,003)	(107,567,669)	(197,358,746)
		89,468,347	(62,815,551)	54,551,510	(92,632,456)
Equity		284,676,077	384,724,538	281,738,302	370,514,751
Gearing ratio		31%	(10)%	19%	(17)%

Financial risk management

Overview

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board has overall responsibility for the establishment and oversight of the Group's risk management framework. The board has established the risk and audit committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports quarterly to the board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The risk and audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

34. Financial instruments and risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. For investments in corporate bonds, the Group transacts with entities that are rated the equivalent of investment grade. The historical probability of default on the bond portfolio is nil and the current and forwarding looking probability of default is also deemed to be nil thus no provision is made on the bonds.

The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of each month to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the Trustees consider that the Group's credit risk is significantly reduced. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all short-term receivables. To measure the expected credit losses, short-term receivables have been grouped based on shared credit risk characteristics and the days past due. The ageing of these receivables is disclosed in note 12.

The maximum exposure to credit risk is presented in the table below:

Consolidated		2022			2021		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Debt instruments at fair value through other comprehensive income	9	128,770,025	-	128,770,025	123,354,586	-	123,354,586
Trade and other receivables	12	18,757,438	(3,444,624)	15,312,814	16,599,730	(2,333,301)	14,266,429
Cash and cash equivalents	13	114,501,210	-	114,501,210	198,592,003	-	198,592,003
		262,028,673	(3,444,624)	258,584,049	338,546,319	(2,333,301)	336,213,018
Separate		2022			2021		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loan to subsidiary company	7	12,412,699	(612,718)	11,799,981	-	-	-
"Debt instruments at fair value through other comprehensive income	9	128,770,025	-	128,770,025	123,354,586	-	123,354,586
Trade and other receivables"	12	11,910,199	(1,192,021)	10,718,178	11,471,348	(962,854)	10,508,494
Cash and cash equivalents	13	107,567,669	-	107,567,669	197,358,746	-	197,358,746
		260,660,592	(1,804,739)	258,855,853	332,184,680	(962,854)	331,221,826

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Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

34. Financial instruments and risk management (continued)

Liquidity risk

The Group is exposed to liquidity risk, which is the risk that the Group will encounter difficulties in meeting its obligations as they become due.

The Group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Consolidated - 2022

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Borrowings	17	-	10,959,454	7,545,632	18,505,086	13,651,548
Lease liabilities	4	-	7,633,351	2,360,929	9,994,280	8,222,091
Current liabilities						
Trade and other payables	18	35,566,416	-	-	35,566,416	35,566,416
Borrowings	17	2,837,681	-	-	2,837,681	1,585,257
Lease liabilities	4	3,922,427	-	-	3,922,427	3,117,493
		42,326,524	18,592,805	9,906,561	70,825,890	62,142,805

Consolidated - 2021

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Borrowings	17	-	5,338,148	2,131,471	7,469,619	6,395,914
Lease liabilities	4	-	6,924,393	2,923,085	9,847,478	7,743,142
Current liabilities						
Trade and other payables	18	36,181,002	-	-	36,181,002	36,181,002
Borrowings	17	1,310,075	-	-	1,310,075	929,120
Lease liabilities		2,682,767	-	-	2,682,767	2,036,164
		40,173,844	12,262,541	5,054,556	57,490,941	53,285,342

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Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

34. Financial instruments and risk management (continued)

Separate - 2022

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Loan to subsidiary company	7	-	7,145,397	12,115,504	19,260,901	12,254,368
Lease liabilities	4	-	248,389	-	248,389	236,076
Current liabilities						
Trade and other payables	18	24,223,804	-	-	24,223,804	24,223,804
Loan to subsidiary company		158,331	-	-	158,331	158,331
Lease liabilities	4	830,435	-	-	830,435	798,761
		25,212,570	7,393,786	12,115,504	44,721,860	37,671,340

Separate - 2021

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	4	-	359,744	359,744	332,737
Current liabilities					
Trade and other payables	18		26,504,373	26,504,373	26,504,373
Lease liabilities	4		103,855	103,855	84,142
			26,608,228	359,744	26,967,972
					26,921,252

Foreign currency risk

The Group is exposed to foreign currency risk for transactions that are denominated in a currency other than Pula. The Group does not take cover on foreign currency as it regards the Pula as a stable currency. The Groups's exposure to foreign currency risk based on notional amounts is analysed as follows:

Exposure in Pula

The net carrying amounts, in Pula, of the various exposures, are denominated in the following currencies. The amounts have been presented in Pula by converting the foreign currency amounts at the closing rate at the reporting date:

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Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

Figures in Pula	Notes	Consolidated		Separate	
		2022	2021	2022	2021
34. Financial instruments and risk management (continued)					
Non-current assets:					
Equity and debt instruments at fair value through other comprehensive income - USD denominated		55,804,923	98,300,907	55,804,923	98,300,907
Equity and debt instruments and fair value through other comprehensive income - ZAR denominated		2,498		2,498	
Current assets:					
Cash and cash equivalents - USD denominated	13	8,441,542	16,094,933	8,441,542	16,094,933
Cash and cash equivalents - ZAR denominated		308,824	4,000,967	308,824	4,000,967
Cash and cash equivalents - GBP denominated		1,157,742	1,190,274	1,157,742	1,190,274
Current liabilities:					
Trade and other payables - ZAR denominated	18	(167,830)	(612,314)	(167,830)	(612,314)
Net exposure		65,547,699	118,974,767	65,547,699	118,974,767
Exposure in foreign currency amounts					
The net carrying amounts, in foreign currency of the above exposure was as follows:					
Non-current assets:					
Equity and debt instruments and fair value through other comprehensive income - USD denominated		4,377,896	8,398,915	4,377,896	8,398,915
Equity and debt instruments and fair value through other comprehensive income - ZAR denominated		2,852	-	2,852	-
Current assets:					
Cash and cash equivalents - USD denominated	13	662,239	1,375,165	662,239	1,375,165
Cash and cash equivalents - ZAR denominated		428,031	5,657,368	428,031	5,657,368
Cash and cash equivalents - GBP denominated		78,218	78,023	78,218	78,023
Current liabilities:					
Trade and other payables - ZAR denominated	18	(191,626)	(795,954)	(191,626)	(795,954)
Exchange rates					
Pula per unit of foreign currency:					
Great Britain Pound		14.802	15.256	14.802	15.256
South African Rand		0.876	0.707	0.876	0.707
United States Dollar		12.747	11.704	12.747	11.704

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Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

34. Financial instruments and risk management (continued)

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Group to a 10% increase or decrease in the respective currencies it is exposed to.

Consolidated

Figures in Pula	Notes	2022	2021	2022	2021
Increase or decrease in rate		Increase	Decrease	Increase	Decrease
Impact on profit or loss:					
South African Rand denominated balances		(18,869)	18,869	(444,552)	444,552
Great Britain Pound denominated balances		57,885	(57,885)	118,987	(118,987)
United States Dollar denominated balances		3,212,323	(3,212,323)	9,830,084	(9,830,084)

Separate

Figures in Pula	Notes	2022	2021	2022	2021
Increase or decrease in rate		Increase	Decrease	Increase	Decrease
Impact on profit or loss:					
South African Rand denominated balances		(18,869)	18,869	(444,552)	444,552
Great Britain Pound denominated balances		57,885	(57,885)	118,987	(118,987)
United States Dollar denominated balances		3,212,323	(3,212,323)	9,830,084	(9,830,084)

Interest rate risk

As the Group has interest-bearing assets and liabilities the Group's policy is to minimise interest rate risk exposure on these financial assets and financial liabilities. The Group's investments in bonds, call accounts, short term investments and offshore cash and cash equivalents are considered long term and short term strategic investments. During the year, the Group was exposed to changes in the market interest rates through bank borrowings, investments in bonds, call accounts, short term investments and offshore cash and cash equivalents.

Interest rate profile

The Group invests with reputable institutions and is subject to normal interest rate risk. The effective annual interest rates on the financial instruments noted above are as follows:

Consolidated

Figures in Pula	Note	Average effective interest rate		Carrying amount	
		2022	2021	2022	2021
Variable rate instruments: Assets					
Money market investments		2.00 %	2.09 %	76,627,835	70,882,887
Liabilities					
Borrowings - property development loan		5.25 %	5.25 %	5,492,240	6,230,564

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Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)
34. Financial instruments and risk management (continued)
Consolidated

Figures in Pula	Note	Average effective interest rate		Carrying amount	
		2022	2021	2022	2021
Fixed rate instruments:					
Assets					
Debt investments at fair value through other comprehensive income	9	7.00 %	7.50 %	128,770,025	123,354,586
Pula call account		0.07 %	0.08 %	25,184,289	38,749,796
GBP call account		1.00 %	1.00 %	1,157,742	1,190,274
Short term deposit		4.00 %	4.50 %	5,255,213	77,245,441
				160,367,269	240,540,097
Liabilities					
Borrowings - call centre development loan	17	8.50 %	8.50 %	922,070	1,094,470
Other borrowings		9.76 %	- %	8,822,495	-
				9,744,565	1,094,470

Separate

Figures in Pula	Note	Average effective interest rate		Carrying amount	
		2022	2021	2022	2021
Variable rate instruments:					
Assets					
Money market investments		2.00 %	2.09 %	76,627,835	70,882,887
Loan to subsidiary company		9.76 %	- %	12,412,699	-
				89,040,534	70,882,887
Fixed rate instruments:					
Assets					
Debt investments at fair value through other comprehensive income	9	7.00 %	7.50 %	128,770,025	123,354,586
Pula call accounts		0.07 %	0.08 %	25,184,289	37,850,862
GBP call accounts		1.00 %	1.00 %	1,157,742	1,190,274
Short term deposits		4.48 %	4.50 %	5,255,213	77,245,441
				160,367,269	239,641,163

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Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)
34. Financial instruments and risk management (continued)
Interest rate sensitivity analysis

A change of 50 basis points in interest rates during the reporting period would have increased/(decreased) the profit before taxation by an equal amount in either direction, as shown below.

Consolidated					
Figures in Pula	Notes	2022	2021	2022	2021
Increase or decrease in rate		Increase	Decrease	Increase	Decrease
Impact on profit or loss:					
Money market investment		76,628	(76,628)	447,553	(447,553)
Borrowings		(27,461)	27,461	(31,152)	31,152
		49,167	(49,167)	416,401	(416,401)
Separate					
Figures in Pula	Notes	2022	2022	2021	2021
Increase or decrease in rate		Increase	Decrease	Increase	Decrease
Impact on profit or loss:					
Money market investment		76,628	(76,628)	447,553	(447,553)
Borrowings		60,574	(60,574)	-	-
		137,202	(137,202)	447,553	(447,553)

Price risk

The Group is exposed to price risk because of its investments in equity instruments which are measured at fair value. The exposure to price risk on equity investments is managed through a diversified portfolio, and through the use of option contracts on relevant indexes, where necessary.

Price risk sensitivity analysis

A change of 10% in the equity and unit trust prices during the reporting period would have increased/(decreased) the profit before taxation by an equal amount in either direction, as shown below.

Consolidated					
Figures in Pula	Notes	2022	2021	2022	2021
Increase or decrease in rate		Increase	Decrease	Increase	Decrease
Impact on profit or loss:					
Equity instruments at fair value		10,479,430	(10,479,430)	11,212,087	(11,212,087)
Separate					
Figures in Pula	Notes	2022	2021	2022	2021
Increase or decrease in rate		Increase	Decrease	Increase	Decrease
Impact on profit or loss:					
Equity instruments at fair value		10,479,430	(10,479,430)	11,212,087	(11,212,087)

Botswana Medical Aid Society

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

35. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

Figures in Pula	Note	Consolidated		Separate	
		2022	2021	2022	2021
Assets					
Equity investments at fair value through other comprehensive income					
Listed shares	8	104,641,645	111,968,220	104,641,645	111,968,220
Total		104,641,645	111,968,220	104,641,645	111,968,220

Level 2

Recurring fair value measurements

Figures in Pula	Note	Consolidated		Separate	
		2022	2021	2022	2021
Assets					
Debt instruments at fair value through other comprehensive income					
Onshore bonds	9	96,247,542	89,872,471	96,247,542	89,872,471
Offshore bonds		32,522,483	33,482,115	32,522,483	33,482,115
Total debt instruments at fair value through other comprehensive income		128,770,025	123,354,586	128,770,025	123,354,586
Total		128,770,025	123,354,586	128,770,025	123,354,586

Level 3

Recurring fair value measurements

Figures in Pula	Note	Consolidated		Separate	
		2022	2021	2022	2021
Assets					
Property, plant and equipment					
Leasehold property	3	58,058,731	58,219,157	30,667,471	31,728,276
Equity investments at fair value through other comprehensive income					
Unlisted shares	8	152,658	152,658	152,658	152,658

**Botswana Medical Aid Society**

Consolidated and Separate Financial Statements for the year ended 31 December 2022

Notes to the Consolidated and Separate Financial Statements (continued)

36. Events after the reporting period

Employees earmarked for voluntary and involuntary separation with the Society completed their tenures on 31 March 2023. All their accrued separation packages of P27 million are expected to be fully settled by end of April 2023.

Except for the matter disclosed in the preceding paragraph, the Board of Trustees are not aware of any events that occurred after the reporting date which would require adjustments or disclosure in these financial statements.

37. Fidelity cover

In accordance with the rules of the Society, fidelity cover of P2,000,000 (2021: P2,000,000) has been procured.