



2020 **BOMAID INTEGRATED
ANNUAL REPORT**

Bomaid
Health & Happiness at heart



2020 BOMAID INTEGRATED
ANNUAL REPORT



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ABOUT BOMAID

The Botswana Medical Aid Society (Bomaid) is Botswana's leading private medical aid provider, covering over 90 000 lives. We serve private, institutional and individual customers with the most extensive product range. This includes medical cover and complementing insurance products. Bomaid is a self administered fund regulated by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and is a member of the Board of Healthcare Funders of Southern Africa (BHF).



MISSION

To provide competitive & diverse health care solutions for Members through innovation & excellence.



VISION

Your companion for Healthier, Happier Lives.

INTRODUCTION

About our Integrated Annual Report
Bomaid Highlights
Message from the Chairman



ABOUT OUR INTEGRATED ANNUAL REPORT

This report is our first integrated annual report. It reflects our commitment to integrated thinking, good governance, and enhanced consideration of our stakeholder groups. In producing this first report, we recognise that there are areas for improvement and commit 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 & opportunities, performance against strategy, our impact on society and our prospects. It covers the period from 1st January 2020 to 31st December 2020. Any material events are also included after this date and up to Board approval of the annual financial statements on 23rd April 2021, and the integrated report and governance report on 17th June 2021.

REPORTING FRAMEWORKS AND ASSURANCE

Bomaid takes direction on reporting from the King IV™ Report on Corporate Governance, 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 2020 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 International <IR> Reporting Framework (2021) is taken into consideration.

A cross-functional team, led by the Group Chief Executive Office, 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. An external sustainability team has been brought in to provide support in this process and 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 impact on 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 2019 annual report.

We identified the following material themes:



Brand positioning



Fraud waste and abuse



Member retention



Technology revamp

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

ABOUT OUR INTEGRATED ANNUAL REPORT *Continued*

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 new 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.

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.

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 (2010), the Financial Intelligence Act of 2019 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 & Compliance and the external audit of the annual financial statements by Deloitte, as well as 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 17th June 2021 and signed on its behalf by:



E.S. MAITE
Chairperson



M. MOKGOSANA
Chief Executive Officer

BOMAID HIGHLIGHTS

We have a proud history and a great 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:

70s
80s

1970s and 1980s

- ◇ Registration of the Society
- ◇ Administration by audit firms

90s

1990s

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

00s

2000s

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

10s

2010s

- ◇ Opening of second and third private hospitals – Bokamoso & Riverside
- ◇ Improvement in embedded life products
- ◇ Introduction of severe illness benefit
- ◇ Introduction of screening and prevention benefits

10s

2010s Continued

- ◇ Achieved majority ownership of MRI Botswana
- ◇ Bomaïd brand refresh
- ◇ Opening of Maun office
- ◇ Turnaround Strategy 2 starts
- ◇ 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 Platinum Award

20s

2020s

- ◇ Opening of fourth and fifth private hospitals - Sidilega and Francistown Academic Hospital
- ◇ Go Live of Thobo core administration system
- ◇ Second brand refresh
- ◇ Bomaïd turns 50
- ◇ Covid 19 Benefits
- ◇ 101 Most Fabulous Leaders Award
- ◇ Donation of P2 million to the Covid-19 Relief Fund

BOMAID HIGHLIGHTS Continued

We have a proud history and a great 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:

Category	Highlights	Strategic objective
Financial	<ul style="list-style-type: none"> • Scheme administration cost ratio at 13% • Improvement in claims ratio from 84% to 75% • Increase in scheme operating surplus from P24.3m to P89m • Increase in scheme surplus from P34.6m to P101.7m • Increase in group profit P36.6m to P99.1m • Improvement in solvency ratio from 49% to 62% • Increase in member contributions by 5.7% 	<ul style="list-style-type: none"> • Fund Growth • Cost control
Human	<ul style="list-style-type: none"> • Total number of employees across the Group 296 • Increase in number of female employees from 176 to 182 • Increase in number of youth employees (under 35) from 146 to 151 • Increase in value of remuneration paid by 7.8% • Male to Female ratio: 38%:62% • Employee retention rate at 96% • Staff engagement level: Deloitte Best Company Silver Seal achieved 	<ul style="list-style-type: none"> • High performance • Leadership development • Talent management
Intellectual	<ul style="list-style-type: none"> • Market share at 52% of open medical aid schemes • 36% awareness of new app • 37% members following on social media. • Social media reach: <ul style="list-style-type: none"> • MRI Over 36, 575 Facebook • Bomaid Over 33, 500 Facebook • Bomaid Over 2, 500 Instagram • Treating Customers Fairly score of 74.1% 	<ul style="list-style-type: none"> • Enhancing customer interaction • Leveraging business intelligence • Operational excellence
Manufactured	<ul style="list-style-type: none"> • 1 Desk office opened at Sidilega • Enhanced stakeholder interaction through new apps and integrated systems 	<ul style="list-style-type: none"> • Enhancing customer interaction
Social	<ul style="list-style-type: none"> • Increase in Principal Members by 2.7% from 38, 799 to 39, 860 • Increase in beneficiaries by 3.4% from 85,666 to 88, 590 • 40% increase in chronic enrolments from 12, 438 to 17, 462 • Increase in HIV viral suppression from 85.7% to 89%. • Increase in customer satisfaction from 73.6% to 74.8% • Improvement in Net Promoter Score from 13.8 to 17.96 • 71% electronic submission of claims • Ex Gratia payments P 1 913 386 • Screening and Prevention Uptake: 8785 • Hospital Authorisations - 612 • Number of Pharmacy Claims - 849 739 • 15.3% increase in Claim Lines paid • Total Claims Lines processed - 3 304 323 • MRI Pharmacy number of scripts filled - 152,463 • MRI call centre: number of calls handled - 1,554,782 • MRI number of Emergency Medical Services Callouts - 1 359 • MRI number of clinic consultations - 22,605 	<ul style="list-style-type: none"> • Enhancing customer interaction • Operational excellence • Fund growth



CHAIRMAN'S STATEMENT

Emmanuel Maite

Bomaid Chairman

CHAIRMAN'S STATEMENT

I am proud to report that through the foresight of the 2017-2021 Strategy we have realised, and in some cases exceeded, much of what we aimed to achieve.

Emmanuel Maite
Bomaid Chairman



To our Valued Members, along with the Bomaid Board of Trustees, it gives me great pleasure to share with you the 2020 Annual Integrated Report, our first report aligned to the IIRC Integrated Reporting framework. This report is significant as it covers the penultimate year of our current five-year Strategic Plan. Throughout the period under review and beyond, Bomaid, my Board and I continue to strive to achieve the singular goal of positioning Bomaid as "Your companion for Healthier, Happier lives." 2020 saw the successful implementation of the Thobo fund administration system which was delivered on time and within budget. This investment serves as a testament of the importance of technology as a key enabler in the realisation of our strategic objectives.

Despite a deeply unusual year, I am proud to report that through the foresight of the 2017-2021 Strategy we have realised, and in some cases exceeded, much of what we aimed to achieve.

THE EXTERNAL ENVIRONMENT

On the 11th March 2020, The World Health Organisation (WHO) declared the Novel Coronavirus (Covid 19) outbreak a global pandemic. At that time, there were just over 20,000 cases with around 1,000 deaths in Europe. At the end of May 2021, the number of cases worldwide had escalated to around 170 million with over 3.5 million deaths. By the beginning of the first lockdown in Botswana in April 2020, the Bomaid Board had

CHAIRMAN'S STATEMENT Continued

approved the enhancement of benefits to support our Members who were at risk of exposure with a variety of interventions which included supplements, testing, emotional support and hospitalisation. Additionally, in support of governments initiative to combat Covid-19, the Board approved a P2 million donation to the Presidential Covid-19 Fund.

Our Group has not been spared from the impact of this scourge with the medical aid fund and our healthcare operations recording mixed experiences. While the Fund posted sterling results with a surplus of P101.7 million against P34.6 million in 2019, our healthcare business, Southview, recorded a negative performance with losses of P1.3 million after a Profit after tax of P3 million in the prior year.

The worldwide pharmaceuticals community has reacted admirably in developing a vaccine and, by the end of May 2021, the number of doses administered per 100 people had reached over 23. However, we remain concerned that Botswana has only administered 3.10 doses per 100 people and hope to see the country capitalising on the robust health infrastructure and the vaccination experience that we have accumulated over the years when vaccines become widely available locally.

While worldwide movement restrictions have had a positive impact on the curbing of the spread of the virus, the economic and social costs have been high. It is our ardent hope that authorities will be able to negotiate for a speedy procurement of vaccines so that vaccination programmes can be expedited to achieve herd immunity. This will allow for international travel & tourism and a stimulation of economic activity.

Botswana remains under a State of Public Emergency until September 2021. Despite the Presidential Directive that there be no job losses during this period, it is unclear what organisations that are reeling from the impact of Covid-19 will do when this moratorium is lifted.



The Board approved a P2 million donation to the Presidential Covid-19 Fund.

In the 2020 Gates Foundation's Goalkeepers report released in September 2020, it was noted that the world was set back 25 years in the first 25 weeks of the pandemic. The report observes that of the 18 goals ranging from poverty to fighting inequalities, the world had regressed to a point where a health crisis became an economic crisis, a food crisis, a housing crisis, and a political crisis.

According to Statistics Botswana, the resultant economic contraction in 2020, at 7.9%, is slightly worse than 2009 contraction of 7.7%. Economic think-tank Econsult reports that the economic downturn resulted from significant contractions of both the mining (minus 26.2%) and non-mining private sectors (minus 8%). Trade activity was also adversely affected during 2020, with exports declining and imports increasing over the course of the year, resulting in trade deficit of P26 billion, up from P14.3 billion in 2019.

Despite the aforementioned, the national budget for 2021/2022 proposed further taxes that are likely to put pressure on household income and undermine the Group's strategic objectives.

FACTORS AFFECTING VALUE CREATION AND THEIR IMPACT ON BOMAID

The return in 2016 and 2017 to a self-administered fund necessitated an internally-driven business process and the rationalisation of business units and activities that detracted

CHAIRMAN'S STATEMENT **Continued**

value from the Group. The strategic shift also called for the business to implement significant developments, key amongst which was our core business system including technology, transactions, contributions and claims management, amongst other internal processes. Additionally, we reviewed and improved our product offering looking to match, or preferably beat, current industry trends. Ultimately this was a bold and successful step aimed at creating a major shift in how we would support the health and happiness of our Members.

The outcomes supported us when we ensured the safety and wellbeing of our human capital by implementing remote working strategies informed by COVID-19 safety guidelines. I note with immense pride that Bomaïd staff was able to maintain service levels to our Members with minimal disruptions following this remote working implementation. Further initiatives included a shift from a curative approach to a preventative approach to health and wellness.

We also refreshed and launched our branding to align with a positioning that promoted this shift to wellness, under our new tagline - Health and Happiness at Heart.

Our strategic initiatives are underpinned by our technology and innovation strategy. A key part of the successful achievement of becoming a self-administered fund was our core business system, Thobo. The new core system manages our transactions, contributions and claims amongst other key functions. I am pleased to note that we achieved implementation within budget and set timelines. We believe this is a key initiative that will reduce costs and increase efficiencies and support better service delivery to our Members. The shift was in line with modern business trends that rely on digitization and technology to support business strategy. Despite great strides made in this regard, cybersecurity is an emerging risk that requires close monitoring and mitigation.

Our Members can look forward to enjoying many benefits which we will extract from our deep relationships with our service providers and partners from Botswana and other countries. We aim to improve the type of services we deliver to our Members and expect that at the end of the next five-year plan there will be no comparison to the current Bomaïd.

Under the guidance of the Board and Management, the Bomaïd team put in a concerted effort in transforming itself into the mould of a blue-chip corporate organisation. The team has performed well in becoming a key part of our competitive advantage in this demanding industry. The response by our human capital in adapting to a work-from-home footing, almost seamlessly in a short space of time, demonstrated the agility, creativity and dedication of team.

BOMAÏD'S LEADERSHIP AND GOVERNANCE APPROACH

The Bomaïd Board holds itself to the highest standards of corporate governance as espoused in the King Code of Ethics and that of other local regulators including the Non Bank Financial Institutions Regulatory Authority (NBFIRA) and Botswana Accountancy Oversight Authority (BAOA). With this in mind, The Board is constantly reviewing the resource requirements across the Group to ensure that there is adequate capability to achieve strategic objectives. This includes ensuring that the management structures are populated with competent people as well as ensuring that there is a sufficient mix of skills to provide strategic direction across the Group.

The Board holds the view that for Bomaïd 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. 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 the Society remains competitive and viable.

CHAIRMAN'S STATEMENT **Continued**

OUTLOOK

As always, our goal is to improve or maintain our Members' health thereby contributing to the achievement of the 2030 Sustainable Development Goal 3. The confidence, foresight and fortitude exhibited by The Board and Management, while guided by our Mission, Vision and Values, gives me renewed belief that you, our Valued Members, will continue to enjoy unparalleled access to healthcare.

As we near the completion of the current five-year strategy and are already gearing up to begin a new one, we find ourselves in a good position to review some of our key achievements while considering the next five-year term. The year under review was a momentous year in which we prevailed over the unexpected market conditions caused by the Covid-19 pandemic.

We also proactively, set aside a sum of BWP 30 Million aimed at managing the potential risks posed by COVID-19 to our Members. We are comfortable that our 2020 reserves position at 62% position us to absorb the impact of the pandemic and the Board will continue to explore the utilisation of reserves to assist our Members during these trying times.

APPRECIATION AND WELCOME

As I conclude my first year of chairing the Bomaid Board, I would like to take a moment to appreciate my fellow Board Members. In my long corporate experience, this is undoubtedly the best board I have had the privilege to serve on. The Board Members make themselves available, apply their minds and wisdom to resolving problems selflessly. Their swift and decisive resolutions have helped navigate the fund superbly. I would like to applaud them for the bold leadership that they have provided to this organisation, the Executive Team, Staff and most importantly our Members.

Next, I would like to thank the Executive Management and their team. They have been relentless in their flawless execution of our strategy. This is a key competency that has positioned Bomaid as one of the best, if not the very best, medical aid in the country. I would like to thank the executive team for all their sacrifices and sleepless nights as they deliver for a very demanding Board.

I would also like to thank our Members, for their loyalty and patience, even when times have been challenging. I would like to assure our Members that their loyalty has not been in vain. Let me take this moment to say that the time for our Members to benefit from sticking with Bomaid through the trying times is now.

Finally, I would also like to acknowledge all our healthcare partners; the hospitals, doctors, clinics, managed care organisations and the entire support network for always doing the best they can in helping our Members. I would like to thank them for their patience with us during our trials and tribulations and the many changes that we have gone through.



EMMANUEL MAITE

Bomaid Chairman

A woman with dark curly hair, wearing a light blue surgical face mask and a grey business suit jacket over a white collared shirt. She has her arms crossed and is looking directly at the camera. The background is a blurred office setting. The image has a dark blue overlay. On the right side, there are several overlapping geometric shapes in shades of blue and white, resembling a stylized arrow or a series of parallel lines.

OUR BUSINESS

Who we are
Governance Overview
Risk Management Overview

WHO WE ARE

OVERVIEW

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 providing products and services to over 40 000 Principal Members and over 90 000 people across the country. Through our healthcare services company, Southview, we provide other medical services including emergency medical evacuation, general medical services, site clinics and the distribution of pharmaceutical products.

Our medical aid business has operations in Gaborone (Fairgrounds Office Park and at the three private hospitals), Francistown and Maun. In addition, our healthcare operations are also based in Palapye. In Gaborone, the MRI and Prime Health brands operate in Block 7, Airport Junction and Sethoa Park.

Our medical aid products cater for a range of customers across various sectors including the 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 government, parastatals, private and corporate clients as well as medical aid funds.

VISION, MISSION, AND VALUES



VISION

Your companion for
Healthier, Happier Lives.



MISSION

To provide competitive & diverse
health care solutions for members
through innovation & excellence.



VALUES



TRUST - We are consistently open, ethical and honest. We are transparent & treat everyone with dignity & respect.



PROACTIVE - We are entrepreneurial and deliberate in our intent, reaching beyond boundaries & experiment always, daring to be different. Putting Wellness First.



SUPERIOR CUSTOMER EXPERIENCE - We understand what our customers want & need & deliver on what we promise them.



EXCELLENCE - We are caring & empathetic. We consistently exceed expectations & deliver without excuses.

WHO WE ARE Continued

PRODUCTS AND SERVICES

We provide the following products and services:

- Medical aid products, covering a range of corporate profiles, income brackets, household sizes, and specific wealth needs
- 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 health care related costs. It is a standalone product available to the market at large and corporate members do not have to be with the Bomaid scheme.
- 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, Maun, and Palapye.
- 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.
- 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, provided through the MRI Training Academy, which provides a variety of First Aid and Health & Safety courses.
- Call Centre Solutions providing services including quantifying sales leads, taking orders, responding to ad inquiries, market research, or general information requests, delivered in a timely and cost-effective manner.

GROUP STRUCTURE

Bomaid
Health & Happiness at heart



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

WHO WE ARE Continued

Bomaid
Health & Happiness at heart

Bomaid
MEDICAL AID SCHEME


SouthView
Southview Pty Ltd. (94%)

MRI BOTSWANA LIMITED
MRI BOTSWANA LTD (MRIB)

CALL **992**
EMERGENCY

MRI Medical Rescue


MRI ONSITE
occupational health - emergency - clinic

MRI Onsite


MRI TRAINING
ACADEMY

Training Academy

Primehealth
MEDICAL PRACTICE

PRIME CONNECT

primehealth
MEDICAL CENTRE

PRIME HEALTH
(PHARMACY AND
GENERAL MEDICAL
SERVICES)

GOVERNANCE OVERVIEW

OVERVIEW

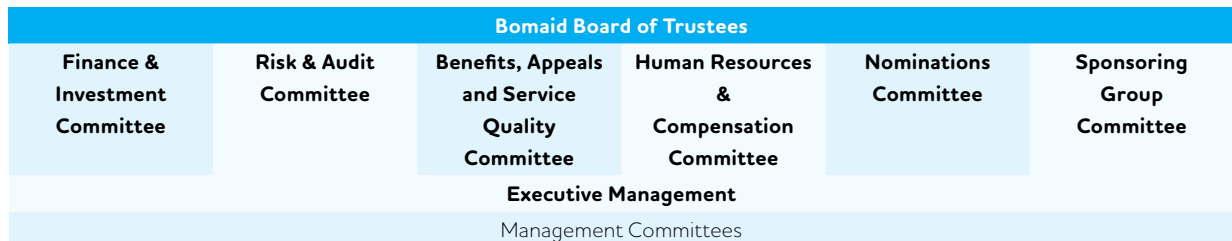
The Bomaid Board of Trustees is the highest governing body, ensuring that the Group is led in an ethical and responsible manner. Our approach is supported by our core values of trust, innovation, superior customer experience, excellence, and proactive. Good governance supports the achievement of our strategic objectives and our long-term sustainability. In addition, our approach contributes to ensuring the governance outcomes of an ethical culture, good performance, effective control, and legitimacy. Our actions set the tone throughout the Group by demonstrating our commitment to the integrity and reputation of Bomaid.

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 Group is expected to follow suit. 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 organization. The documents clarify Bomaid's vision, 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 Group. Contracting on adherence to the values of the organization 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 the Board performs and adds value to the Group 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 viable. The Trustees remain responsible and committed to setting the Groups 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 and functional committees. The Board is ultimately responsible for ensuring that reporting standards conform to the principles laid out in The Society's Book of Rules and other internationally recognised reporting codes.

The Board of Trustees remains committed to supporting good governance as the benefits of ethical leadership and a well-run Society accrue to the Members. They are entrusted by the Book of Rules with control and supervision of the general business of the Group. Good governance increases stakeholder confidence and enables better decision making for the benefit of Members. The Board is satisfied that it has fulfilled its responsibilities to administer the assets of Bomaid with due skill and care, and in accordance with its charter for the reporting period. The authority for management of the Group's activities is delegated to the Executive and they are 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.



GOVERNANCE OVERVIEW Continued

BOARD OF TRUSTEES

Mr. E.S. Maite
Board Chairperson



Mr. F. Ferguson
Vice Chairperson



Mr. M. Mokgosana
Chief Executive Officer



Mr. J. Ghanie
Trustee



Ms. L. Andries
Trustee



Mr. O. M. Ramasedi
Trustee



Dr. R. Lebelonyane
Trustee



Mr. L. Klein
Trustee



Mr. L. Motladiile
Trustee



GOVERNANCE OVERVIEW Continued

EXECUTIVE MANAGEMENT

Mr. M. Mokgosana
Chief Executive
Officer



Mr. Thato Kubu
Chief Operations
Officer



Ms. Dinah Kesebonye
Chief Finance
Officer



Ms. Gothatamang Kootlole
Chief Human Resources
Officer



Mr. Tebogo Motsie
Head of Information
Technology



Mr. Musa Nleya
Head of Legal Services



GOVERNANCE OVERVIEW Continued

GOVERNANCE OUTCOMES

The past year's environment has necessitated increased oversight and action from the Bomaïd Trustees. We have come through this challenging period having provided direction to the Executive that has been implemented and resulted in enhancements to our performance. Below we highlight a few of the key governance actions and how they have been implemented.

What we said we'd do in 2020	Our delivery on our commitments
<p>Succession planning for Board Trustees</p> <ul style="list-style-type: none"> • Identification and training of Trustees to ensure no loss of institutional memory and no loss of key expertise. • Reviewing and confirming the desired expertise and qualifications for new Trustees. • Identifying potential Trustee candidates. • Approaching the potential candidates in advance to let them know of The Board's interest in their services. 	<ul style="list-style-type: none"> • At the last Annual General Meeting, five Board members retired from the Board due to a combination of end of term and resignations from their constituent bodies. These included the Chairman and his Deputy. In addition to securing a combination of skills with industry and subject matter experience, the Board was reconstituted with a balance of skill and tenure. The terms of Chairman and his Deputy were staggered to allow for continuity and succession.
<p>Succession planning for CEO</p> <ul style="list-style-type: none"> • Identification of potential successors for the position of CEO. • Reviewing and confirming the desired expertise and qualifications for new Exco members. • Identifying potential C-Suite candidates. • Skilling the potential candidates to prepare them for other roles. 	<ul style="list-style-type: none"> • Several discussions were held with the Board of Trustees with regard to the training of Executives to close any succession gaps and ensure that there is a strong bench for immediate succession. • The organisation sponsored training for Executives to develop knowledge and skills to strengthen the bench. • The Group has confidence that it has identified and secured talent that is capable of strengthening the bench strength. • The Board has committed to annual reviews for CEO successors and succession for other critical roles across the Group.
Other governance actions taken during 2020	What we achieved
<ul style="list-style-type: none"> • Skills Mix 	<ul style="list-style-type: none"> • Recruitment of Chief Risk Officer into the Board and a seat reserved for an additional clinician.
<ul style="list-style-type: none"> • Focus on ICT Governance 	<ul style="list-style-type: none"> • ICT Governance Principles, Policies, and Frameworks adopted and are being implemented in line with the COBIT Framework. • Compliance to King IV™ principles on IT Governance.
<ul style="list-style-type: none"> • Enterprise Risk Management (ERM) 	<ul style="list-style-type: none"> • Dedicated Risk and Compliance function approved and resourced. • ERM Framework approved, and annual plan approved and progress reported at Board. • Risk capability enhanced on the Board.

GOVERNANCE OVERVIEW Continued

Other governance actions taken during 2020 Continued What we achieved Continued

- | | |
|---|--|
| <ul style="list-style-type: none"> • Conflict of interest for Board members who sit in subsidiary Boards • Weak Control Environment | <ul style="list-style-type: none"> • The Board appointed a consultant to advise on this and is considering the recommendations. • The Board has approved a Risk and Control Rigour process to be implemented in 2021. • The Board is also considering the restructuring of the Internal Audit function. |
|---|--|

GOVERNANCE FOCUS AREAS FOR 2021

BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY (BAOA) GOVERNANCE REVIEW

In 2020, BAOA carried out a Financial Reporting Monitoring and Corporate Governance Review of the Group. Below are the issues that have been highlighted for the attention of the Board:

- Inadequate disclosures – To the greatest extent possible, the disclosures highlighted in the review have been addressed in the current report. This will continue to be prioritised for subsequent reporting.
- Lack of Board Chairperson and CEO succession planning – The report has sought to address the matter of Board and CEO succession planning. This will remain a key focus area for 2021.
- Lack of Internal Audit Charter – The Charter has been drafted and approved by the Board during 2021.
- Non-Compliance with laws regulating health/drugs safety standards.

NON-BANK FINANCIAL INSTITUTIONS REGULATORY AUTHORITY (NBFIRA)

While the industry still awaits the promulgation of the NBFIRA regulations, The Regulator has identified the following as guidelines for medical aid funds.

- Compliance to the letter in 2013 waiving Bomaid from licensing pending the promulgation of Regulations.
- Compliance to Related Party Guidelines.
- Establishing a Compliance function and designating a Compliance Officer for purposes of complying with the Financial Intelligence Act and Preventing Financial Crimes.

CONTROL ENVIRONMENT



Strengthening of the function at Board and operational levels.



Strengthening of the control environment through Risk and Control Rigour Process.



Major process mapping and documentation.



Further automation and optimisation of processes.

GOVERNANCE OVERVIEW Continued

THE BOARD OF TRUSTEES

The Board of Trustees is composed of ten (10) Trustees. The Society's 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. 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. Mr Emmanuel Maite and Mr Fergus Ferguson were appointed Chairperson and Deputy Chairperson respectively in October 2020.

The Board has satisfied itself that, in complying to the provisions of the Society's rules, it has a sufficient mix of knowledge, skills, experience, independence, and the categorisation of its Board members.

Trustee	Role	Gender	Age	Qualifications	Appointment date	Committees	Background
Emmanuel Maite	Independent Non-Executive Chairperson	M	47	<ul style="list-style-type: none"> BSc (Public Administration), University of Botswana MSc (HR Management), Rutgers University, New Jersey 	October 2015 Chairperson since October 2020	<ul style="list-style-type: none"> Nominations (Chair) 	<ul style="list-style-type: none"> Currently the HR Director at Botswana Examinations Council. Former Head of Human Resources at Botswana Agricultural Marketing Board (BAMB), De Beers Prospecting, Botswana Savings Bank, University of Botswana, and Botswana Development Corporation. Served as the General Manager responsible for Botswana Development Corporation's Subsidiaries. Served as a Director of Mashatu Nature Reserve (Pty) Ltd, Lion Park Amusement Park (Pty) Ltd and Phakalane Property Development (Pty) Ltd. Served as the HR Expert Advisor of the Public Procurement and Asset Disposal Board (PPADB) Board of Directors. Former Chairman of MRI Botswana Limited.
Fergus Ferguson	Deputy Chairperson	M	40	<ul style="list-style-type: none"> BAcc. University of Botswana MSc (Strategic Management), the University of Derby 	July 2016 Deputy Chairperson since October 2020	<ul style="list-style-type: none"> Risk & Audit Benefit, Appeals & Service Quality Human Resource & Compensation 	<ul style="list-style-type: none"> Currently Chief Executive Officer of Letshego Financial Services Botswana (Pty) Ltd. Former Letshego Holdings Limited (LHL), Head of Group Credit Risk. Board member of Southview (Pty) Ltd.
Lydia Andries	Trustee	F	48	<ul style="list-style-type: none"> MSc (Strategic Management), University of Derby MSc and BSc in Actuanal Science, University of Kent 	October 2015	<ul style="list-style-type: none"> Finance & Investment (Chair) Risk & Audit 	<ul style="list-style-type: none"> Currently CEO of the Botswana Institute of Banking and Finance. Former CEO of Hollard Life Botswana (Pty) Ltd., and former head of the Group Strategy and Communications Division for Letshego Holdings (Pty) Ltd. Board member of MRI Botswana Limited and Southview (Pty) Ltd.

GOVERNANCE OVERVIEW Continued

Trustee	Role	Gender	Age	Qualifications	Appointment date	Committees	Background
Julius Ghanie	Trustee	M	53	<ul style="list-style-type: none"> BSc (Hons) in Computer Science and MSc 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. 	June 2017	<ul style="list-style-type: none"> Finance & Investment Risk & Audit Benefit, Appeals & Service Quality 	<ul style="list-style-type: none"> Currently ICT director for the Bank of Botswana. 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.
Oaitse Ramasedi	Trustee	M	57	<ul style="list-style-type: none"> Fellow Member of the Chartered Institute of Management Accountants. Master of Arts in Theology and Religious Studies from the University of Botswana. Bachelor of Commerce (Accounting) from the University of Botswana. Certificate in Pastoral Theology from the University of Botswana. 	August 2020	<ul style="list-style-type: none"> Risk & Audit Finance & Investment. 	<ul style="list-style-type: none"> Currently 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.
Dr Refeletswe Lebelonyane	Trustee	F	52	<ul style="list-style-type: none"> Master of Public Health (MPH) - Medunsa School of Public Health, South Africa, 2003 Diploma Postgraduate 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 Medical Degree- St. Petersburg Medical Academy in internal Medicine & Surgery, 1995 	February 2021	<ul style="list-style-type: none"> Benefit, Appeals & Service Quality Human Resource & Compensation 	<ul style="list-style-type: none"> Currently Program Director, Botswana-Rutgers Partnership for Health, Adjunct Lecturer, University of Botswana, Department of Family Medicine and Public 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.

GOVERNANCE OVERVIEW Continued

Trustee	Role	Gender	Age	Qualifications	Appointment date	Committees	Background
Leroy Klein	Trustee	M	44	<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) 	February 2021	<ul style="list-style-type: none"> Risk & Audit Benefit, Appeals & Service Quality Southview 	<ul style="list-style-type: none"> Currently 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	M	49	<ul style="list-style-type: none"> MSc Human Resource Management from University Of Salford, Manchester, UK. Bachelor of Arts from University of Botswana. 	August 2020	<ul style="list-style-type: none"> Human Resource & Compensation (Chair) Benefit, Appeals & Service Quality Nominations 	<ul style="list-style-type: none"> Currently 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.
Moraki Mokgosana	CEO / Principal Officer	M	50	<ul style="list-style-type: none"> BCom (Accounting) Degree from the University of Botswana Master of Business Leadership from the School of Business Leadership at the University of South Africa. 	November 2013 (contract ends October 2021)	<ul style="list-style-type: none"> Finance & Investment Risk & Audit Benefit, Appeals & Service Quality Human Resource & Compensation Nominations 	<ul style="list-style-type: none"> Currently Group Chief Executive Officer at Bomaid. Former Chief Executive Officer at G4S Botswana Limited. Former Chief Executive Officer 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 member of MRI Botswana Limited and Alpha Access.

GOVERNANCE OVERVIEW Continued

BOARD DEMOGRAPHICS

Independence	Executive		Non-executive	
	1		9	
Tenure	0 – 2 years	3 – 7 years	8 – 9 years	
	4	4	1	
Age	30 – 49	50 – 59	60 – 69	
	5	4	Nil	
Gender	Male		Female	
	7		2	

CHIEF EXECUTIVE OFFICER'S CONTRACT

Mr Moraki Mokgosana is on a five-year contract which effected in November 2016.

TERMS OF THE CONTRACT

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

- A termination notice period of 3 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 3 months before expiry of contract of desire to serve another term.

OTHER COMMITMENTS OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is a Board Member at MRI Botswana Limited, Botswana Meat Commission and The Board of Health Funders of Southern Africa

SUCCESSION PLANNING FOR THE ROLE OF CHIEF EXECUTIVE OFFICER

Succession planning for the role of Chief Executive Officer is considered and approved by the Boards every year.

CORPORATE GOVERNANCE REPORT

BOARD OF TRUSTEES STATEMENT ON GOVERNANCE LEADERSHIP

The Bomaid Board of Trustees, working closely with Executive Management, has committed itself to high levels of ethical leadership, integrity and good governance. The Society'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 organization and has been incorporated into the values of the organization 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 remains committed to supporting good governance as the benefits of ethical leadership and a well-run organisation accrue to the Members. The Book of Rules entrusts them with control and supervision of the general business of Bomaid. Good governance

GOVERNANCE OVERVIEW Continued

by the Board increases stakeholder confidence and enables better decision making for the benefit of Members.

The Trustees have a fiduciary duty to administer the Bomaid assets with due skill and care reasonably expected from a Member in the position of a Trustee. They are therefore, accountable to the Members of the Society, who are the beneficiaries of the assets of Bomaid. The Board is duty bound to act in accordance with the document creating the medical aid fund and to its best interest at all times. They have committed themselves 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. A report outlining how Bomaid applies the principles set out in the King IV™ Report on Corporate Governance and the resultant benefits thereof is attached to this report.

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 viable. The Board of Trustees remains responsible and committed to setting the Society'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 and functional Committees, and the Board is ultimately responsible for ensuring that reporting standards conform to the principles laid out in the Society's Book of Rules and other internationally recognized reporting codes.

ORGANISATIONAL ETHICS

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 the Board having set the standards and living by the set standards, the entire organization adopts and lives in accordance to the ethical standards which have been enshrined in the values of the organization.

Issues relating to integrity, honesty, fairness, equity, justice and compassion have been addressed in the Conditions of Service for Employees and the Code of Conduct for the Board of Trustees to align the culture to the values of the organization. The two documents clarify an organization'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 organization.

Contracting on adherence to the values of the organization by Employees is done during performance contracting for the year with an appraisal done biannually.

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.

Any reports received were investigated and the outcomes reported at the Risk and Audit Committee. Remedial measures were recommended for implementation by Management.

The benefits that are derived due to proper management of ethics are:

- Asset protection
- Improved productivity and teamwork
- Strong public image

- Ethical decision making

PLANNED AREAS OF FUTURE FOCUS

A Fraud and Ethics Survey was undertaken to assess awareness of the Tip-Off Anonymous service by Employees and knowledge on the Whistle Blowing Policy.

The future focus is to undertake a Fraud and Ethics Survey on Service Providers and Members of the Society to assess awareness of the Tip-Off Anonymous service by them and Members of the Society.

GOVERNANCE OVERVIEW Continued

GOVERNING BODY

BOARD STRUCTURE

The Board of Trustees is composed of ten (10) Trustees. The Society's 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 Emmanuel Maite was appointed Chairman of the Board while Mr Fergus Ferguson was elected Deputy Chairman in October 2020 after retirement of the former Board Chairman and Deputy Chairman.

The Board is satisfied that it is composed of a mix of knowledge, skills, experience, diversity and independence to carry out its duties. In assessing its composition, the Board seeks to achieve a balance to accommodate gender and age diversity.

A total of (5) five Trustees left the Board during the year 2020. Mr C Kgosidiile resigned after he left employment with Botswana Power Corporation, Ms E Disele, Mr O Mabote, Mr PT Silitshena and Prof O Nkomazana retired when their (2) two terms of (3) years per term ended.

The following Board Members retired /resigned during the year:

RETIRED/RESIGNED TRUSTEES		
Name	Gender	Expertise
Mr O Mabote (Retired)	Male	Accounting
Ms E Disele (Retired)	Female	Human Resources
Mr T Silitshena (Retired)	Male	Corporate
Dr O Nkomazana (Retired)	Female	Medicine
Mr C Kgosidiile (Resigned)	Male	Accounting

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 Bomaïd and its Members. Processes are in place to ensure that the Trustees declare any conflict 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.

GOVERNANCE OVERVIEW Continued

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 and ensures that meetings run smoothly and 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. The role of independent Chairman was held by Mr O. Mabote until October 2020 when he retired and was replaced by Mr E. S. Maite who is also an independent Non-Executive Board Member.

BOARD EVALUATION

The Board Charter requires the evaluation of its own performance and that of its Committees, its Chairperson and individual Members, to support continued improvement in performance and effectiveness. Following from the Board evaluation in 2019, a further Board evaluation will be conducted in 2021. Action plans are developed to address the areas of concern observed.

SUCCESSION PLANNING FOR THE BOARD

A draft Board Succession Policy has been put in place and for implementation after approval by the Board. The aim of the policy is to ensure that the organisation 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.

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 eight (8) times, four (4) of the meetings were scheduled whilst the other four (4) were special meetings.

ATTENDANCE REGISTER

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

Date of Board Meeting	31/3/20	2/4/20	18/6/20	22/6/20	6/8/20	28/9/20	4/11/20	11/12/20
Ofentse Mabote	P	P	P	P	P	P	N/A	N/A
Oathokwa Nkomazana	A	P	P	P	P	P	N/A	N/A
Evelyn Disele	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Thabo Silitshena	P	P	P	P	P	P	N/A	N/A
Lydia Andries	P	P	P	P	P	P	P	P
Emmanuel Maite	P	P	P	P	P	P	P	P
Fergus Ferguson	P	A	P	P	P	P	P	P
Julius Ghanie	P	P	P	P	P	A	P	P
Cross Kgosidiile	A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Oaitse Ramasedi	N/A	N/A	N/A	N/A	N/A	N/A	P	P
Letlhokwa Motladiile	N/A	N/A	N/A	N/A	N/A	N/A	P	P

GOVERNANCE OVERVIEW Continued

BOARD COMMITTEES

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 Trustees may delegate some of their powers to these designated Committees and this is in accordance with good corporate governance standards. They ensure 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 ultimately accountable to the Members of the Society. The Committees comprise of Finance and Investment Committee; Risk and Audit Committee; Benefits, Appeals and Service Quality Committee, the Human Resource and Compensation 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 organization.
- c. Establishes expense approval limits within the organization.

There was adherence to limits set in the policy and no deviations were noted during the reporting period.

FINANCE & INVESTMENT COMMITTEE

Lydia Andries	Chairperson
Cross Kgosidiile	Member (Up to 31st March 2020)
Thabo Silitshena	Member (Up to 10th October 2020)
Julius Ghanie	Member
Mr M Ramasedi	Member (Commencing 16th October 2020)
Moraki Mokgosana	Ex-Officio

The Finance & Investment Committee comprises at least three members. The main function of The Committee is to assist The Board in discharging its duties and general oversight function on financial and investment matters of the organization. The Committee continuously review reports on investment performance, actuarial reporting and management accounts and makes the requisite recommendations on investment and financial matters to the Board for approval. The duties of the Committee are:

Financial Management

In relation to financial matters, the Committee is responsible for:

- Devising, reviewing and recommending any amendments to the Financial Regulations and other finance and investment policies of the Group.
- Presenting the Group's annual budgets to the Board for approval.
- Monitoring the execution of the budget approved by the Board.
- Presenting to the Board, the Group's financial statements and management accounts on a quarterly basis and advising the Board on matters pertaining to the financial statements and management accounts.

GOVERNANCE OVERVIEW Continued

Investment Management

In relation to investment matters, the Committee is responsible for:

- Devising, reviewing and recommending any amendments to the investment policies of the Society.
- Giving effect to the Society's investment policies as approved and adopted by the Board of Trustees.
- Ensuring that responsible investment is practised by The Society 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 the 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 formal mandate.

Actuarial Matters

In relation to actuarial matters, the Committee is responsible for:

- Examining the financial impact of proposals on Bomaid's annual Benefits and Contribution Review in liaison with the Benefits, Appeals and Service Quality Committee.

ATTENDANCE REGISTER

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

Date of Meeting	23/3/20	29/5/20	9/9/2020	21/9/20	3/12/20
Lydia Andries	P	P	P	P	P
Cross Kgosidiile	P	N/A	N/A	N/A	N/A
Thabo Silitshena	P	P	P	P	N/A
Julius Ghanie	P	P	P	P	P
Oaitse Ramasedi	N/A	N/A	N/A	N/A	P

RISK & AUDIT COMMITTEE

Cross Kgosidiile	Chairperson (Up to the 30th March 2020)
Oaitse Ramasedi	Member and Chairperson (From the 16th October 2020)
Lydia Andries	Member
Thabo Silitshena	Member and Chairperson (1st April 2020 to 10th October 2020)
Julius Ghanie	Member
Fergus Ferguson	Member
Moraki Mokgosana	Ex-Officio

GOVERNANCE OVERVIEW Continued

The Risk and Audit Committee comprises at least three members. The main function of The Committee is to assist The Board in discharging its duties of managing the Group'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. The duties of the Committee are:

Risk Assessment

In relation to risk assessment, the Risk and Audit Committee reviews the risk register in which all key operational and financial risks affecting the business are recorded. New risks, if and when identified, are added to the register while others fall away over a period of time due to effective mitigation interventions. The role of the Risk & Audit Committee in relation to risk assessment is to enhance the Group's ability to manage, and not necessarily avoid or eliminate every risk, but to ensure that the overall risk profile of the Society remains within an acceptable appetite.

Auditing

In relation to auditing, The Committee is required to:

- Assist the Board in its evaluation of the adequacy and efficiency of the 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.
- Provide a forum for communication between the Board, Management, and the Internal and External Auditors.
- Oversee the selection process and recommend the appointment of the External Auditor.
- Review and confirm the independence of the External Auditor.

ATTENDANCE REGISTER

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

Date of Meeting	24/3/20	2/6/20	8/6/20	7/7/20	14/9/20	5/10/20	23/9/20	24/11/20
Cross Kgosidiile	A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lydia Andries	P	P	P	P	P	P	P	P
Thabo Silitshena	P	P	P	P	P	P	P	N/A
Julius Ghanie	P	P	P	P	P	P	P	P
Fergus Ferguson	P	P	P	P	P	P	P	P

GOVERNANCE OVERVIEW Continued

BENEFITS, APPEALS AND SERVICE QUALITY COMMITTEE

Evelyn Disele	Chairperson (Up to the 28th January 2020)
Oathokwa Nkomazana	Member and Chairperson (1st February 2020 to 10th October 2020)
Emmanuel Maite	Member (Up to the 10th October 2020)
Julius Ghanie	Member and Chairperson (From 16th October 2020)
Lethokwa Motladiile	Member
Fergus Ferguson	Member
Moraki Mokgosana	Ex-Officio

This Committee assists the Board in carrying out its responsibility to assess appeals from The Society's Members and to foster a culture of service excellence. The Committee ensures that Bomaïd 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.

ATTENDANCE REGISTER

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

Date of meeting	18/3/20	26/5/20	9/7/20	7/9/20	16/11/20
Emmanuel Maite	P	P	P	A	N/A
Julius Ghanie	P	P	P	P	P
Oathokwa Nkomazana	P	P	P	P	N/A
Fergus Ferguson	P	A	P	P	P
Lethokwa Motladiile	N/A	N/A	N/A	N/A	P

GOVERNANCE OVERVIEW Continued

HUMAN RESOURCE AND COMPENSATION COMMITTEE

Emmanuel Maite	Chairperson (Up to the 10th October 2020)
Evelyn Disele	Member (Up to the 28th January 2020)
Thabo Silitshena	Member (Up to the 10th October 2020)
Oathokwa Nkomazana	Member (Up to the 10th October 2020)
Fergus Ferguson	Member and Chairperson (From 17th October 2020 to 17th November 2020)
Lethokwa Motladiile	Member (From 16th October 2020)
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 endorses Executive appointments. The Committee is also responsible for the welfare of Board Members across the Group.

This Committee is also 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.

Attendance Register

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

Date of meeting	12/03/20	20/5/20	2/9/20	25/9/20	17/11/20	4/12/20
Emmanuel Maite	P	P	P	P	N/A	N/A
Evelyn Disele	N/A	N/A	A	N/A	N/A	N/A
Thabo Silitshena	P	P	P	P	N/A	N/A
Oathokwa Nkomazana	P	P	A	P	N/A	/NA
Fergus Ferguson	N/A	N/A	N/A	N/A	P	P
Lydia Andries*	N/A	N/A	N/A	N/A	P	P
Lethokwa Motladiile	N/A	N/A	N/A	N/A	P	P

GOVERNANCE OVERVIEW Continued

NOMINATIONS COMMITTEE

Ofentse Mabote	Chairperson (Up to the 10th October 2020)
Emmanuel Maite	Member and Chairperson (From the 10th October 2020)
Cross Kgosiile	Member (Up to the 30th March 2020)
Oathokwa Nkomazana	Member (Up to the 10th October 2020)
Julius Ghanie	Member (From 4th November 2020)
Letlhokwa Motladiile	Member (From 4th November 2020)
Moraki Mokgosana	Ex-Officio

The function of this Committee is to supervise the nomination process of Trustees to the Board of Trustees of the Society and Directors in Boards where the Society has direct or indirect shareholding. Additionally, the Committee oversees and makes appropriate recommendations on Trustees training needs and governance issues of the Society.

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

Date of meeting	6/8/20	29/10/20	3/11/20
Ofentse Mabote	P	N/A	N/A
Cross Kgosiile	N/A	N/A	N/A
Oathokwa Nkomazana	P	N/A	N/A
Emmanuel Maite	P	P	P
Julius Ghanie	N/A	P	P

THE SPONSORING GROUP COMMITTEE

Julius Ghanie	Chairperson
Emmanuel Maite	Member (Up to the 10th October 2020)
Evelyn Disele	Member (Up to 28th January 2020)
Lydia Andries	Member
Cross Kgosiile	Member (Up to the 30th March 2020)
Moraki Mokgosana	Ex-Officio

This Committee was constituted by the Board to have oversight responsibility on behalf of the Board of Trustees during implementation of the Thobo Fund Administration System. The responsibilities of this Committee in relation to the project involved:

- Investment decision-making
- Defining the direction of the organization
- Ensuring overall alignment of the programme with the corporate strategy
- Providing organizational context for the programme
- Authorizing the programme mandate and the programme definition
- Participation in reviews
- Authorizing funding
- Advising the Senior Responsible Owner (SRO) being the Chief Executive Officer

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

Date of meeting	30/1/2020	3/3/20
Julius Ghanie	P	P
Emmanuel Maite	P	P
C Kgosiile	P	P
Lydia Andries	P	P
Evelyn Disele	A	P

BOARD REMUNERATION

The Human Resources Committee is responsible for determining the framework or broad policy for the remuneration of The Board of Trustees. The Annual General Meeting during its sitting of the 30th June 2017 made resolutions on Board fees payable to the Trustees and these are as follows:

GOVERNANCE OVERVIEW Continued

BOARD MEETINGS

Chairperson	P 7500
Trustee	P 6500

COMMITTEE MEETINGS

Chairperson	P 7500
Trustee	P 6500

BOARD REMUNERATION

The Trustees were paid a remuneration of **P1 045 912.50** as follows:

Mr O Mabote	P 101 250.00
Mr T Silitshe	P 133 537.50
Dr O Nkomazana	P 76 125.00
Mr E Maite	P 158 250.00
Mr F Ferguson	P 143 625.00
Mr J Ghanie	P 184 125.00
Mr L Andries	P 170 250.00
Mr O M Ramasedi	P 29 250.00
Mr L Motladiile	P 29 250.00
Mr C Kgosidiile	P 20 250.00

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

Board	P 319,500.00
Benefits, Appeals and Service Quality Committee	P 81,750.00
Finance & Investment Committee	P 111,750.00
Risk & Audit Committee	P 157,125.00
Human Resources & Compensation Committee	P 87,375.00
Nominations Committee	P 31,500.00
Sponsoring Group Committee	P 40,500.00
Other Assignments	P 216,412.50

INVESTMENT POLICY

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

In 2019 the Board reviewed the Investment Policy and Strategy document that was approved in 2015 and adopted a strategy that enabled the Society to meet its liabilities and allows 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.

GOVERNANCE OVERVIEW Continued

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

In 2015, Alexander Forbes Asset Management Consultants was tasked with the management of the Society's investments within the requisite legislative requirements, in accordance with the investment mandate, and in the best interest of The Society.

REGULATORY AND COMPLIANCE

There is a Compliance policy in place with the objective of providing a framework for the Society to manage its legal and compliance obligations. Reporting on compliance to policies and law is reported at the Risk and Audit Committee.

Key focus areas during the reporting period

During the reporting period focus was on alignment of operations to the Financial Intelligence Act through putting in place Know Your Customer (KYC) Tools.

Another area of focus was on self-assessment of Bomaid to appreciate to track progress towards meeting its obligations under the various key Legislation/Acts/Statutes and non-compliance issues were observed.

PLANNED AREAS OF FUTURE FOCUS

Areas of focus for the ensuing year will continue to be on a drive to be compliant to the FIA Act on KYC requirements.

CORPORATE CITIZENSHIP

Bomaid has Corporate Citizenship Policy in place. The purpose of the policy is to formalise the Corporate Social Investment (CSI) & Sponsorship activities of Bomaid in line with its strategic intent. Among the key CSI and Sponsorship activities undertaken in the year 2020 was the Gosemama Junior Secondary School library refurbishment as well as donation of some computers to the school. In addition to the foregoing there was a commitment made by the Society to sponsor the Diacore and Gaborone half marathon, both were cancelled on account of Covid-19 related restrictions.

Other CSR Activities undertaken by the Group during the financial year included a P2 million donation to the Presidential Covid-19 Relief Fund and donation of call centre services to the Ministry of Labour and Home Affairs. Additionally, Bomaid participated in the Majwe-AM 570 Cycle Challenge where a group of cyclists rode 570km's to raise P2.4 million towards the upliftment of the school going pupils in the Jwaneng Mine's Zone of Influence. Bomaid also made a donation to the SOS Village in Tlokweng.

As a way of motoring sponsored activities, reports are provided by the entities sponsored and visitation is done to the sponsored projects to assess if resources are utilized for the purpose they were intended.

RISK GOVERNANCE

The Risk and Audit Committee met with the Internal Auditors (KPMG) in October 2020 and with the External Auditors (Deloitte) in June 2021, in the absence of Management. On both occasions, discussions were held around the independence of the Auditors, their relationship with management and interventions needed to be put in place to improve the control environment. The Risk and Audit Committee is satisfied with the independence and the skills of the Auditors.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The Society has an outsourced internal audit function. A process will be put in 2021 designed to evaluate internal audit activity's conformance with International Standards for the Professional Practice of Internal Auditing and an evaluation of whether Internal Auditors apply the Code of Ethics.

RISK MANAGEMENT OVERVIEW

BOMAID'S FOCUS ON RISK MANAGEMENT

We manage our risks through our Enterprise Risk Management (ERM) Framework, which identifies and evaluates risks present in our internal and external environment, as well as informs the development of risk mitigation measures. The Board considers these inputs, together with the likelihood and the potential impact on Bomaïd of various risks and opportunities. Effective risk management and a sound internal control environment are necessary for long term success of any organization. The Society's Board and management recognizes that risk management is an integral part of both sound management practice and good corporate governance as it improves decision making, enhances outcomes, and strengthens management accountability.

Bomaïd's Board of Trustees is committed to and oversees a process of risk management that is aligned with ISO 31000:2018, COSO ERM: 2017 and generally accepted good practice as well as the principles of the King IV™ Code for Corporate Governance ("King IV™"). To this end, Bomaïd is committed to maintaining an integrated and enterprise-wide risk management program to ensure risks are managed in such a way that the interest of all stakeholders are protected. Integrating risk management improves decision making in governance, strategy, objective setting and day to day operations and helps to enhance performance.

RISK MANAGEMENT GOVERNANCE

The Trustees retain overall accountability and responsibility for the governance and oversight of Risk Management. They are committed to maintaining an effective Enterprise-Wide Risk Management program in pursuit of its strategic objectives. The Risk and Audit Committee reviews and assesses the integrity of the risk management processes. The responsibility and accountability for managing risks rests with Management, including the significant outsourced business processes components. The Risk and Compliance Function is the owner of the Enterprise-wide Risk Management Framework and Policy and is responsible for entrenching a risk management culture as well as facilitating risk management and integration across the Society.

OUR COMMITMENT TO RISK MANAGEMENT

We are firmly committed to effective risk management as a central pillar to our financial sustainability. Operating in the medical aid environment, we are exposed to strategic, external, legal and regulatory, human resources, operational, financial (credit, liquidity, interest and foreign currency), technology, health, political and other risks that could potentially affect achievement of our strategic goals. We view risk management as a continuous, proactive and systematic process, built on strong principles and practices, informing decisions and actions to deal with and benefit from uncertainties that may be encountered while pursuing our strategic goals. At Bomaïd, we understand our responsibility to balance risk and reward while pursuing our strategic goals. Furthermore, we understand that effective risk management effectively opens up new opportunities.

RISK MANAGEMENT STRATEGY

Bomaïd's Risk Management Strategy manages both internal and external risks that may impact our sustainability. Our risk management process, which covers outsourced service providers enables us to manage our risk profile within our risk appetite. Our risks are assessed in-line with the Board-approved Enterprise Risk Management Framework as well as a risk appetite framework and statement (Risk Metrics). Risks are rated according to impact and likelihood on a five-point scale that ranges from insignificant to extreme. The assessment covers the scheme's dependence on resources and relationships represented by the various forms of capital. This process targets identification of risks capable of negatively affecting organisational objectives, as well as opportunities made available by effectively managing these risks. Each department has identified a risk champion who reports departmental risk assessment and risk mitigation results to the Risk and Compliance Manager, through the monthly Risk Forums. Risk responses and mitigation plans are developed and monitored by Executive Management through the Executive Risk Management Committee, who conduct regular reviews and report quarterly to the Risk and Audit Committee, and to the Board.

RISK MANAGEMENT OVERVIEW **Continued**

RISK APPETITE

Risk appetite and tolerance levels define various levels of risk that allow Bomaid to escalate and deal with risk aligned to the delegation of authority. We recognise the importance of aligning our risk register metrics with our impact on the four capitals (General Descriptor, Business Performance, Reputation and Brand and Compliance and Legal). This allows us to deal with risk appropriately depending on the level of severity. These are reviewed annually and submitted to the Board of Trustees for approval.

RISK MANAGEMENT CAPABILITIES

Our risk management capabilities are underpinned by internationally recognised processes (ISO31000:2018), (COSO ERM: 2017) and codes of practice (King Code for Corporate Governance).

Our key risk management competencies are:

- Improve risk management capabilities continuously throughout the organisation.
- Implement risk mitigation strategies timeously at strategic, tactical, operational and process levels.
- Take accountability for risk mitigation decisions.
- Responsible acceptance of risks in pursuit of objectives.
- Pursuit of opportunities responsibly.
- Integrate risk interdependencies across the Society and outsourced service providers.

Enterprise - Wide Risk Management Implementation Plan

We followed a Board approved annual work plan for the 2020 financial year:

- An annual facilitated organisational wide policy review was completed to align our policies with various elements of the Society.
- A Safety, Health and Environmental Policy was developed to align with government Covid-19 protocols.
- Fraud, Waste and Abuse (FWA) Policy and Framework in conjunction with the Health Funders Association of Botswana were developed and completed.

- Review and update the Business Impact Assessment (BIA) and the Business Continuity Management Strategies to align with the impact of Covid-19 and extreme social distancing protocols i.e Working From Home Arrangements
- Annual legislative compliance self-assessment were undertaken and completed.
- AML/CFT & P risk assessments were undertaken and mitigations put in place to prevent money laundering.
- The Board monitored the top-10 risks quarterly, continuously evaluating significant changes in the risk landscape and the effectiveness of risk mitigations.
- Ethics awareness sessions to employees.



OUR PERFORMANCE

Message from The Group CEO
Performance Overview
King IV™ Alignment



CHIEF EXECUTIVE OFFICER'S REPORT

Moraki Mokgosana

Bomaid Group CEO

MESSAGE FROM THE GROUP CEO

The Thobo system offers an integrated, paperless experience with greater flexibility and better access for our Members and our Healthcare Practitioner network.

Moraki Makgosana

Bomaid Group CEO



OVERVIEW

2020 will always remain as a historic year for the world at large and for Bomaid specifically. With the realities of the Covid – 19 pandemic setting in, the Group has had to pivot its operations to react to the challenges as well as exploit the opportunities that arose. The Group had mixed fortunes as the reduced claims experience was offset by the reduced foot traffic at the Prime Health facilities. The lock downs starting in April were, therefore, both a positive and a negative. Against the backdrop of this global phenomenon, Bomaid reached two milestones in the go-live of the Thobo Fund Administration System and the attaining of our 50th year anniversary.

The global, regional and economic repercussions of the pandemic have left Botswana no better off than the rest of the world. Despite all of this, Bomaid recorded a 2.7% increase in membership amid mounting pressure for premium discounts and holidays especially in the industries that were hardest hit being the travel and tourism industry.

Our Group performance, while unprecedented, at a Group Surplus of P99.1 million against a Scheme performance of P101.7 million has created both a sense of optimism and anxiety. The medical aid has achieved a 62% solvency level. This gives hope that the scheme can continue to remain sustainable in the middle of this pandemic. However, the lag in the roll out of the vaccination programme and the continued State of Public Emergency (SoPE) creates a sense of anxiety as to how long it

MESSAGE FROM THE GROUP CEO **Continued**

will be before our membership attain herd immunity and what the labour statistics will be when normal business resumes.

Concerns over a bloated public service as well as a delayed recovery within the private sector presents an opportunity for Bomaid to consider further diversification of its revenue base in anticipation of an aftermath of the SoPE. With that in mind, the enhancement of the capability of key account management and business development capability as well as tightening credit control become more pertinent.

Despite the tumultuous time that our subsidiary MRI endured during the year, we are buoyed by some reinforcements in the leadership team that, we believe, will set the organisation up for a strong performance.

PERFORMANCE AGAINST STRATEGIC TARGETS

The much-anticipated Thobo Administration System went live in January 2020 following several years of gap analysis, tendering, vendor identification and the implementation. As previously anticipated, the benefits; being a better control environment, improved customer satisfaction and employee satisfaction were immediately realisable in 2020. At the forefront of this was the unintended benefit of providing an opportunity for our colleagues to be able to work remotely as the social distancing restrictions came into effect.

Thobo means harvest. This name is a fitting one that pays homage to the patience of our members and staff who sowed and waited patiently for the harvest that has come in the form of state-of-the-art system that offers capabilities that no other medical aid fund administration system in Botswana offers. During the gap analysis prior to the commencement of Project Motswedi, over 190 gaps were identified in various

aspects of our business ranging from billing, membership, claims administration, managed care, sales to provider management and client relationship management. Now the harvest has come and it is time to reap and enjoy the fruits of our labour - the ease of doing business and the services that are now easily accessible by our members. These include enhanced customer experience, improved controls and better productivity.

The Thobo system offers an integrated, paperless experience with greater flexibility and better access for our Members and our Healthcare Practitioner network. Key features include the following:

- Online membership application.
- An App to update contact details and any amendments.
- Online claims submissions and tracking.
- Online viewing of billings and subscriptions.
- Checking of benefits usage and limits through digital platforms.

Our strategic themes of Operational Excellence, Fund Growth and High Performance are underpinned by a balanced score card approach .

OUR CUSTOMER APPROACH

Customer centricity remains a key tenet of our business. Our customer satisfaction survey results showed an improvement from 73.6% in 2019 to 74.8% by the end of 2020 while our Net Promoter Score increased from 13.8 to 17.96% over the same period. The organisation measured, for the first time, our Treating The Customer Fairly Score and attained a 74.1% score. While our stakeholders have identified some areas for improvement which are mainly in key account management, communications, turnaround times and access to our premises, we are encouraged by these gains – especially in light of the

MESSAGE FROM THE GROUP CEO **Continued**

fact that, for our first Customer Satisfaction Survey in 2013 we achieved a score of 66.2%.

In line with our vision to become a companion, for healthier lives, we have continued to take a preventive approach to wellness. With this in mind, the screening and prevention of our Members as well as promoting enrolment for chronic programs and encouraging adherence has become more pre-eminent. During the year, we recorded a 40% increase in chronic enrolments from 12, 438 to 17, 462 while our HIV viral suppression, up from 85.7% to 89%, is in line with the Treat All 90-90-90 target.

OUR PEOPLE BALANCE SHEET

Our staff members remain a core resource across the Group. In order to align with best practice, Bomaïd has adopted the Deloitte Best Company Survey as the Standard to aspire to. At the end of the year, along with the employee aspect of the satisfaction survey,

Following from the changes that took place in 2016 with the reverting of Bomaïd to a self-administered fund, some key gaps were noted that range from availing relevant tools of trade, recognition, training and development and creating a conducive working environment.

With the above in mind, Management and the Group Board embarked on a journey to create a conducive working climate for Bomaïd employees. Despite initial problems with staff settling in on the new environment, The Thobo system has created a platform that allows for easier interaction with the customers and to service them better. During the year, despite the lockdowns, significant progress was made in the revamping of Bomaïd House which has now been given a more modern look

and feel. In order to allow for Working From Home, employees have also been supplied with laptops and connectivity devices as well as communication tools.

In order to enhance leadership capability within the organization Leadership 360 assessments were conducted for the Senior Leadership Team. It is envisaged that training and development will continue to close any leadership gaps identified. Four members of the Senior Leadership Team were trained to equip them with skills ranging from Business Leadership, Management Development to Finance for Nonfinance Managers. Following the approval of the Talent Management Strategy by the Board, talent was identified in the organization for further training and development. The Board also approved the Graduate Training Programme that is expected to infuse more talent within the organization. In line with governance principles, the Board continues to take an interest in succession planning across the organization. While the discussions have been centred around succession planning for the position of Chief Executive Officer, the Board remains keen to ensure that there is sufficient bench strength and depth across the entire Group.

The achievement of the silver seal achieved by Bomaïd in the 2020 Deloitte Best Company Survey has served to underscore the pace at which leaders need to move to address employee concerns during a time when the work force is adjusting to the new normal where physical interaction and workplace collaboration have become more pronounced. Employee focus has gravitated towards trust, remuneration practices and communication and this has been highlighted in the survey results. By and large, Deloitte noted that employees feel an improvement in their work environment.

MESSAGE FROM THE GROUP CEO Continued

PROCESSES AND CONTROLS

Following from the implementation of the Thobo system, a key focus for Bomaid was to optimize the key processes and to continue for further opportunities for automation and process enhancement. The alignment of these capabilities of the organization will be vital to ensure the successful delivery of our overall corporate strategy.

The MRI business has also been focused on streamlining their processes to deliver a more consistent and superior customer experience. Opportunities have been identified in the pharmaceutical business which has been a significant engine of growth contributing 64% of the revenue of the business. As this business has grown, compliance to licensing requirements and safety standards and inventory management has become more prominent.

FINANCIAL HIGHLIGHTS

The Group has delivered a solid set of results in the year recording a membership growth of 2.7% 38, 799 to 39, 860. Beneficiaries increased by 3.4% from 85,666 to 88, 590. Scheme Revenue was up by 5.7% from P700.3 million to P740.5 million while Group Revenue rose by 4.2% from P744.2 million to P775.5 million. Scheme surplus spiked from P34.6m to P101.7m and the increase at Group was from P36.6m to P99.1m. The claims ratio reduced from 84% to 75% with the solvency position increasing from 49% to 62%.


While the impact of the Covid-19 on these results cannot be ignored, it is also noteworthy that this is a culmination of a series of very difficult decisions that had to be made by Board and Management to turn the Group from the loss-making position that we found ourselves in at the start of the 2017 to 2021 Strategy.

OUTLOOK

As we wind up the 2017 to 2021 Strategy and brace ourselves for our next five-year journey, we look forward to the completion of the roll out of the Covid-19 vaccination and the attainment of global herd immunity. We remain confident that the fundamentals for Bomaid to continue to consolidate its position at the forefront of good health and well-being are in place and look forward with renewed vigour to continue to be a major player in fulfilling our purpose as an organisation.

APPRECIATION

We would not have been able to achieve any of these without the good vision and resilience of our colleagues at the office and our Board, and without the patience and loyalty of our members and all our key partners. To all of you we are eternally grateful and look forward to a long enduring companionship that is filled with good health, happiness and well-being.



MORAKI MOKGOSANA

Group CEO

PERFORMANCE OVERVIEW

OVERVIEW

Across the Group, significant effort has been put towards ensuring we deliver on our commitments. We have focused on a few key areas, recognising the need to reprioritise some of our goals given the operating environment. We have maintained a healthy financial position through this period, we have retained our staff, and we have provided cover to our members. Below is a snapshot of our organisational performance.

Strategic themes							
Operational Excellence		Fund Growth				High Performance	
Strategic Priorities							
Improve Risk Management	Alignment with Regulatory Requirements	Protect Market Share & Member Acquisition	Product Innovation and Development	Reviewing Pricing Structure	Divest in MRI	Employee Productivity, SLA & Talent Management	Applying Technology and Improving Business Intelligence
Key performance indicators							
<ul style="list-style-type: none"> • Implementation of a Fraud Detection System. • Implementation of an Enterprise Risk Management Framework. • Closure of Risk Issues. 	<ul style="list-style-type: none"> • Regulatory and Statutory Compliance at 85%. • Compliance to King IV™ at 83%. 	<ul style="list-style-type: none"> • 1,369 new members • 1,745 new beneficiaries • Ave age of Principal Members – 42.9 years. 	<ul style="list-style-type: none"> • New products – Covid 19 benefit • Loyalty Programmes (Garmin, Virgin Active, Mosha Spa) 	<ul style="list-style-type: none"> • Scheme revenue up 5.7% from P700.7m to P740.5m. • Group revenue up 4.7% from P744.2m to P775.5m. • Claims ratio down from 84% to 75% • Scheme Operating surplus up from P24.3m to P89m. • Group surplus P36.6m to P99.1m • Solvency ratio up from 49% to 62%. 	<ul style="list-style-type: none"> • EOI received 	<ul style="list-style-type: none"> • No. of employees 296. • Retention rate at 96%. • 90% Employees Performing 	<ul style="list-style-type: none"> • No. of users of digital platforms • 2,200 App users • 71% electronic submission of claims.

PERFORMANCE OVERVIEW Continued

OPERATIONAL EXCELLENCE

OVERVIEW

The Health Funders Association of Botswana (HFAB) is an association made up of the four medical aid schemes being Bomaid, Pulamed, Botswana Public Officers Medical Aid Scheme (BPOMAS) and Botsogo Health Plan. We also participate in the Health Forensic Management Unit (HFMU) of the Board of Health Funders of Southern Africa (BHF). Bomaid has entered into a Framework Agreement with other members of HFAB to combat fraud, waste and abuse (FWA). It is the duty of the Board of Trustees of medical schemes to ensure that the payment of claims to Health Care Practitioners are paid only for legitimate claims and strictly in accordance with the registered Rules of the respective schemes. That these medical aids are deemed public interest entities, further underlines the importance of this responsibility.

The HFAB took the initiative to address FWA on behalf of all its medical scheme members and in the interest of the beneficiaries of such medical schemes and the industry as a whole. The benefits in addressing FWA in this holistic manner are the following:

- **Cost-effectiveness:** Sharing the costs relating to addressing FWA between various medical schemes, which include analytics and physical verification of claims;
- **Data:** Obtaining comprehensive data from various medical schemes allow for more accurate analysis in order to identify possible FWA;
- **Uniformed approach:** Allow for a uniformed approach towards dealing with FWA;
- **Effectiveness:** Deal with perpetrators of FWA across the medical scheme industry;
- **Quality Assurances:** Overseeing the quality of the various processes involved in dealing with FWA from a central point to ensure its implementation across the spectrum to protect the reputation of the medical schemes industry.

In addition to the above, The Board of Bomaid is obliged to ensure regulatory compliance. Bomaid was issued with a letter in February 2013 that served notice that the organisation fell under the supervision of the Non Bank Financial Institutions Regulatory Authority (NBFIRA) and that Bomaid had been granted a waiver from licensing pending promulgation of regulations specific to medical aid funds. Through this letter, Bomaid was instructed as follows:

- Submit audited financials as well as quarterly returns.
- Submit Complaints policy and procedure, as well as risk and controls policies and procedures.
- Notification of changes to Board and Senior Management positions.
- Seek approval for new Board appointments, new business activities, establishment of subsidiaries and mergers and acquisitions as well as any changes in shareholding.

As a Public Interest Entity, Bomaid also falls under the supervision of the Botswana Accountancy Oversight Authority (BAOA).

HIGHLIGHTS

The Framework agreement between the members of the HFAB was concluded during the year under review. In addition to this, the HFAB in collaboration with BHF commenced a project for the standardisation of a Practice Code Numbering System (PCNS). It is expected that this is a critical step in the combating of fraud, waste and abuse as this will allow for the sharing of data between medical aid schemes.

In terms of compliance during the year the Society focused on material regulatory provisions that impact the business. A compliance matrix was developed, outlining regulatory framework relevant to the business, and setting out the Society's obligations in line with the regulations.

PERFORMANCE OVERVIEW **Continued**

During the year under review, BAOA completed a Financial Reporting and Corporate Governance review of Bomaid. An exception was noted over inventory management and sale of expired drugs at MRI and this has been noted for corrective action. In addition, BAOA noted some discrepancies on governance and disclosures that are being address and are expected to be closed by June 2022.

CHALLENGES

The delays in the promulgation of the regulations for Medical Aid Funds remain a great cause for concern. This is due to the uncertainty it creates for the organisation in its strategic planning. On the other hand, the delays in the industry association in implementing the agreements on fraud, waste and abuse is likely to delay the curbing of this nefarious behaviour by some practitioners.

Having participated in consultations workshops with NBFIRA prior to the drafting of the regulations, we have continued to use the framework developed by NBFIRA and their consultants, Deloitte, in our strategic planning process. Over and above this, we continue to monitor other regulatory developments in the region.

For Fraud Waste & Abuse (FWA), we have continued to use our new data analytics capability and to leverage the support of our actuaries to identify any fraudulent behaviour.

OUTLOOK

The organisation in the process of finalising the signature of new contracts with Health Care Practitioners that will allow for Bomaid to investigate and take corrective action where there are incidents of FWA. It is anticipated that, along with the Practice Code Numbering System (PCNS) project, we will be able to curb against any fraudulent behaviour and over servicing.

We continue to engage with the various discipline groups to foster relationships and build a mutually beneficial relationship for the benefit of the Members, the Fund and the Healthcare Practitioners.

FUND GROWTH

OVERVIEW

Fund growth is key to the long-term sustainability of the fund. To achieve this requires vigilance in the underwriting processes and a balanced approach to pricing for our existing and new clients. The medical aid must also achieve an optimal balance in the average age of its membership to allow for cross subsidisation. Bomaid seeks to have a disciplined approach to the management of its investments to meet both its long term and short-term claims obligations. Our price rebalancing strategy has assisted us in achieving revenue growth while maintaining our customer retention targets. To achieve the above, we depend on our network of professionals including our accountants, actuaries, asset managers and asset consultants and we are thankful for their support.

We also seek to have a product and a new business pipeline that will assist in the attraction of new members and new clients to grow our market share. Despite the difficult times that we have faced in recent years, we are very happy that we have managed to retain our market share at 52% of the open medical aid schemes. We have also enhanced capabilities in business development and key account management as well as with our product positioning and branding. We believe that these investments will go a long way in positioning Bomaid in the forefront in the minds of current and perspective clients.

The Board is still keen to dilute the 94% shareholding that Bomaid holds in MRI through Southview. It is their belief that by allowing for the business to be less encumbered to the ultimate

PERFORMANCE OVERVIEW Continued

holding company, MRI will be poised to broaden its customer base and grow to give more profitable returns to Bomaid. During the year under review, the Boards of Southview and Bomaid considered an Expression of Interest from a private equity firm and has granted the firm an exclusivity period until the end of July 2021 to complete a due diligence process.

HIGHLIGHTS

Following the appointment of actuaries in July 2015, Bomaid sought to realign the pricing to be commensurate with the amount of risk until the fund returned to a surplus in 2017. This has resulted in a significant improvement in the performance of the Group while the fund has continued to attract and retain members. A combination of the aforementioned, the benefits arising out of the Thobo system and the reduced claims experience in 2020 resulted in an unprecedented surplus position for the fund in 2020.

Bomaid was the first medical aid in Botswana to react to the Covid-19 pandemic by introducing a benefit that included Supplements, Testing, Hospitalisation, Home Care, Medical Evacuation and Psycho-Social Support. This hospitalisation benefit was extended to members who are on the AS Happy Plan which is a no hospitalisation plan.

Additionally, during the year we were pleased to introduce new loyalty partnerships that resonate with our vision and mission when we announced a smart watch arrangement with Garmin, a beauty therapy association with Mosha Spa and health club collaboration with Virgin Active.

CHALLENGES

The Covid-19 pandemic remains a threat for the organisation and there is a risk that as government starts to call upon the

private medical aids to cover their members, the rise in costs may negate the savings that were made in 2020. We continue to monitor the impact of Covid-19 on our operations with the view for a speedy counter of any escalation in the risk to the business.

OUTLOOK

Despite the productivity challenges in 2020, we remain encouraged that we have a diverse enough product and customer range to survive the headwinds we are facing in the short term. We expect that our efforts to build a robust product and customer pipeline will provide a cushion against any negative impact that may arise due to the impact of Covid.

HIGH PERFORMANCE

OVERVIEW

Our employees are our most important resource. It takes a happy employee to keep a customer happy. With this in mind, the following key initiatives were embarked on to improve performance:

- **Talent Management Strategy:** To attract retain and reward the best talent.
- **Change Management:** To increase the motivation of our staff and their levels of productivity. Bomaid decided to use the Deloitte Best Company survey as the standard to measure employee engagement.
- **Introduction of a performance management system:** To transform Bomaid into a high performance organisation.
- **Service Level Agreement (SLA) Management:** The business is largely dependent on other intermediaries in the delivery of a superior customer experience.

PERFORMANCE OVERVIEW **Continued**

Employee productivity and SLA Management are essential for us to achieve our set turnaround times and, by extension for our members to receive superior customer experience. In addition to building a high-performance team, we need to constantly reassess our structure and skills set for alignment with our strategic objectives. With our new technology and the capabilities that it has endowed us, we also need to build business intelligence capability to support the decision making processed across the business.

HIGHLIGHTS

The organisation completed a Leadership 360 survey at the beginning of the year under review as well the Deloitte Best Company Survey. Staff members were also sent on leadership development programmes. In our quest to further enhance performance and retention, the Board approved an Executive Long-Term Incentive and Executive Bonus policy. In addition, the Board has also approved a Graduate Training Programme that will allow for the infusion of new talent into the organisation and for the transfer of skills.

CHALLENGES

As the staff became accustomed to the new Thobo system, productivity has been a challenge for Bomaid with some notable lapses in turnaround times especially in the processing of claims and new memberships. This has necessitated for closer supervision, coaching and team cohesion for all to appreciate the inter dependability across the various aspects of the business to achieve corporate goals.

OUTLOOK

It is our hope that as the employees become more comfortable with the new technology, our productivity levels will improve. We envisage that in 2021, as we continue to optimise on our processes and the system, we will also be able to provide our colleagues with the correct skills to improve on their efficiency levels.

KING IV™ ALIGNMENT

OVERVIEW

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 2020
Leadership	1. The governing body should lead ethically and effectively	<p>The Bomaid Board of Trustees, working closely with 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 organization 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 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 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>
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>

KING IV™ ALIGNMENT Continued

King IV™ Focus Area	King IV™ Principle	Governance Report 2020
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 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 first 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 the Society.</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 Society, 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 business section of this report.</p>

KING IV™ ALIGNMENT Continued

King IV™ Focus Area	King IV™ Principle	Governance Report 2020
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.	<p>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.</p> <p>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.</p> <p>The Nominations Committee:</p> <ul style="list-style-type: none"> • 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. <p>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 Society.</p> <p>The Board comprises:</p> <ul style="list-style-type: none"> • Finance & Investment • Risk & Audit • Benefits Appeals & Service Quality • Human Resource & Compensation • Nominations Committees.
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	<p>The Nominations Committee supervises the nomination process of Trustees to the Bomaid Board and Directors to Bomaid subsidiaries.</p> <p>Additionally, the Committee oversees and make appropriate recommendations on Trustee's training needs and governance issues.</p> <p>The board evaluation conducted in 2019 assessed the performance of the Board.</p> <p>During 2020 we made progress in addressing areas for improvement. A further assessment will be conducted in 2021.</p>

KING IV™ ALIGNMENT Continued

King IV™ Focus Area	King IV™ Principle	Governance Report 2020
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 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 Society. 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 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 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.

KING IV™ ALIGNMENT Continued

King IV™ Focus Area	King IV™ Principle	Governance Report 2020
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 & Compensation Committee advises the Board on Human Resource policies and strategies, including remuneration and the appointment of officers of Bomaïd. 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 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	<p>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.</p> <p>The Committee ensures that The Society 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.</p>

OUR VALUE CREATION AND TRADEOFFS

External Environment
Stakeholders
Risks and Opportunities
Value Created
Tradeoffs



OUR VALUE CREATION AND TRADEOFFS

OVERVIEW

Our mission is to provide diverse and innovative 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 we own, or lease, through our footprint



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

The Covid-19 pandemic has brought with it opportunities and challenges alike. While on the one hand, the value of the medical aid funds in the global eco-system has become more pronounced, we have been reminded of the impact of a single pandemic to the sustainability of the industry.

As the oldest, most diversified and most adequately capitalised medical aid in the country, Bomaïd has found itself in a position where we are able to support our members and other stakeholders in these trying times.

On the other hand, the role of governments in ensuring that there is a robust healthcare system cannot be underestimated. While Botswana has invested significantly in private and public healthcare infrastructure since Independence, we have been reminded of the importance of ensuring that the system is supported by able and skilled resources.

In its country preparedness and status update of 16th March 2020, WHO categorised Botswana as a level 2 in terms of operational readiness meaning the country was no more than 40% ready for the pandemic. The country was, however, assessed not to have a high risk of imported cases.

Despite the additional beds following from the commissioning of the Sir Ketumile Masire Teaching Hospital, Sidilega Hospital and the Francistown Hospital, it was apparent that the over 6, 000 beds in healthcare system could not cope with the cases and this resulted in the government resorting to social distancing measures to slow down the incidence of the cases.

By the end of May 2021, the number of cases in Botswana had reached over 53, 500 cases with over 830 deaths according

to the coronavirus Worldometer . From Bomaïd's perspective, over P16 million had been spent for the testing and treatment of members and their dependents with 13% of the members testing positive. Hospital admissions totalled in excess of 170 while 18 of our members succumbed at the private facilities. Total deaths of Bomaïd members were at 60 with the balance dying at home and at government facilities. Two members died in South African hospitals.

Despite the economic hardships that were occasioned by the social distancing measures, the Botswana Government has been very proactive in their fight against the scourge with a declared intent to prioritise the saving of lives.



POLITICAL ISSUES

The rollout of the vaccine in Africa has been slow and Botswana has not been spared. The vaccination roll out was dealt a significant blow following the unconvincing tests of the Astra Zeneca consignment that was received in South Africa in March 2021. With only a 10.4% efficacy against mild to moderate infections caused by the B.1.351 South African variant, neighbouring countries became hesitant to receive the orders that were procured.

With more than more than 1.84 billion doses administered globally by the end of May (translating to 23.64 doses per 100 people), Botswana only had 71, 500 doses administered over the same period (3.10 doses per 100). The vaccination roll out commenced in April following the receipt of an initial receipt of 30, 000 doses of the Covishield vaccine from the Serum Institute in India. The vaccine rollout commenced with adults over 55 years of age and Botswana remains in a State

EXTERNAL ENVIRONMENT Continued

of Public Emergency until September 2021. By that time, the authorities hope that great progress would have been made in vaccination the population to allow for increase in movement and in economic activity as the country attains herd immunity.



ECONOMIC ISSUES

In their Q1 2021 Economic Review, think tank E-Consult highlighted the toll that Covid-19 has taken in the economy. Despite this, they are encouraged by the fact that this 7.9% contraction in the economy is expected to be less severe than both the International Monetary Fund (IMF) at -9.2% and Ministry of Finance and Economic Development (MFED) at -8.9%, had predicted, suggesting a measure of resilience or even recovery within the economy.

Real GDP growth in 2021 is projected to be 8.8% by the MFED and 8.7% by the IMF. This is due to anticipated recovery in both mining and global economic activity. Econsult, however, while predicting a strong recovery are less optimistic and project between 7.5% and 8%. This is due to their expectations of a slower than expected recovery in the tourism sector and slow vaccine rollout.

The high spending by the Government of Botswana has put pressure on a public fiscus that was already under strain due to recent budget deficits. This spending which is predominantly to combat the Covid-19 scourge is also anticipating continuing to stimulate economic activity.

With Government planning to abolish 50% of the vacant positions, it is expected that this will have an adverse impact on growth prospects of the industry. Although Bomaïd does not have exposure to the public sector, the organisation has clients in the parastatals sector that could be affected by the intended rationalisation of State Owned Enterprises.

The proposed tax increases like the VAT, fuel levy, withholding tax, sugar levy, as well as the increase in fees and charges will put further pressure on household income and affect the demand for medical aid products.



SOCIAL ISSUES

As a leading industry player, Bomaïd 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 Board has aligned 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 and the world seeks good health and well-being for all.

Closely 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 of the above will ultimately be underpinned by an insatiable desire to ultimately make Bomaïd employees, stakeholders and the larger populace healthier and happier.



TECHNOLOGY ISSUES

Globally, technology adoption has been identified as a key driver of economic growth, and of improved efficiency and productivity. The Fourth Industrial Revolution (4IR) and the advent of the restrictions due to the Covid-19 pandemic have

EXTERNAL ENVIRONMENT Continued

colluded to present opportunities for those who have invested in technological infrastructure as well as present and existential threat for those who were not adequately prepared. However, the increased demand for digitisation has exposed us to risks-cybersecurity being the biggest.

In the replacement of the legacy fund administration system at the start of 2021, Bomaïd found itself in an enviable position of immediately being able to activate the Work From Home plans and to continue to serve stakeholders with minimal interruption. In addition, we were able to close off some of the concerns that had been raised by staff and customers.



LEGAL ISSUES

According to the NBFIRA Act, Medical Aid Funds fall within the supervisory purview of NBFIRA. In 2015, NBFIRA concluded a consultancy with Deloitte where they were assigned to design a regulatory framework for medical aid funds. Following from consultations with stakeholders and written submissions, regulations were then drafted.

From the consultations, it is envisaged that the framework will cover features like: the setup of medical aid funds; benefits; underwriting; governance; statutory requirements and operations and third party providers. The industry still awaits the adoption of the regulations by Parliament and subsequent promulgation. While The Regulator has not been able to offer an indication of timelines, Bomaïd has tried to align to the framework and to take the necessary corrective steps where gaps are anticipated.



ENVIRONMENTAL ISSUES

The Bomaïd Board approved a Corporate Citizenship Policy at its sitting of the 18th June 2020.

As a responsible corporate citizen, Bomaïd has continued with Corporate Social Responsibility programs in 2020. In December 2020, Bomaïd made a donation and the CEO participated in the Majwe – AM570 Cycling Challenge where participants raised P2.4 million towards the upliftment of school going pupils in the Jwaneng – Mabutsane catchment area.

In addition to the above, Bomaïd made a P2 million cash donation to the Presidential Covid-19 Relief Fund in April 2020. Bomaïd has also adopted the Gosemama Junior Secondary School in the Tswapong area. In 2020, the organisation assisted the school with IT equipment for the school library.

STAKEHOLDERS

OVERVIEW

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 investments 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. Despite the social distancing restrictions, Bomaid managed to hold a virtual session of its AGM on the 9th October 2020. In addition to the above, the organisation carried out a Customer Satisfaction Survey at the end of 2020 and a survey of the Deloitte Best Company to Work For. These engagements are an integral part of our assessment of our progress in dealing with issues that emanate from our key stakeholders which include our staff, Healthcare Practitioners and our members.

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
Members 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.	<ul style="list-style-type: none"> • Stakeholder engagement seminar • AGM • Call centre • Email • Website and social media • Print and electronic media • Tip-off line 	<ul style="list-style-type: none"> • Affordability • Quality of services/ Turnaround times • Ease of claims process • Communications • Access to our facilities 	During the past year, we have maintained pricing levels in response to the financial constraints faced by our members. 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.

STAKEHOLDERS Continued

Stakeholder	How we engage them	Their concerns	Our response
<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>
<p>Government</p> <p>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</p> <p>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>

STAKEHOLDERS Continued

Stakeholder	How we engage them	Their concerns	Our response
<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 Bomaïd 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

OVERVIEW

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	The Covid 19 pandemic	Daily and monthly Management updates on the impact of the pandemic on the performance of Bomaid and quarterly Board updates.	New products for remote consultations as well as reduced administration costs and less travel to work and attending meetings.
	Exposure to cyber and information security breaches	Closure of the findings of the cybersecurity assessment of Bomaid's External Assessment.	More robust IT security strategy as well as improved data centre facilities.
	Financial sustainability and growth	Member growth and retention.	Consolidate strategic alliances and sales and account management capability.
	Fraud, Waste & Abuse	Implementation of fraud analytic tools.	Build on enhanced Business Analytics Capability.
	People, performance & culture	Performance appraisal tools and enhanced employee engagement.	Talent Management.
	Failure of realisation of benefits of system overhaul	Optimisation of the systems and processes to support.	Improved Customer Satisfaction.
	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.
Market risk	Failure to respond to changing investment environment	Strong focus on scenario planning Strong focus on alternative investment strategies.	Diversified Investment Portfolio.

RISKS AND OPPORTUNITIES Continued

Risk Category	Risk	Mitigation measures in place	Strategic opportunity
Operational risk	Increasing levels of fraud	Implementation of fraud analytic tools.	Build on enhanced Business Analytics Capability.
	Inability to attract and retain talent	Compelling employee value proposition, combined with clear job descriptions, performance plans and codes of conduct.	Better Talent Management.
	Inability to protect data and IT systems adequately	Strong IT controls, IT strategy, and business continuity plans in place, supported by data protection awareness and training programmes.	Improving customer peace of mind will enhance our value proposition to members and support growth objectives.
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.	Strong regulatory compliance positions us well to maintain our market share and attract investment as well as protect our license to operate.

VALUE CREATED

OVERVIEW

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 2020)	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 	<p>We offer: Diverse and innovative solutions in a cost effective and sustainable manner, through innovation & excellence.</p>	<p>Products</p> <ul style="list-style-type: none"> No. of products launched - 1 No of loyalty partnerships - 3 New Members – 1 369 New Beneficiaries – 1 745 New beneficiaries 	<p>Financial</p> <ul style="list-style-type: none"> Reduction in claims cost ratio – from 84% to 75% Increase in group surplus - P36.6m to P99.1m Increase in scheme operating surplus - P24.3m to P89m Improvement in solvency ratio – from 49% to 62% Increase in member contributions (revenue) - 5.7%
<p>Human</p> <ul style="list-style-type: none"> Total employees - 300 Diversity in employment complement 40:60 (M:F) Leadership team – experienced executive team 		<p>Services</p> <ul style="list-style-type: none"> Dependents on chronic program – 17462 Chronic prevalence – 16.3% Average mortality rate – 0.003% Viral suppression rate – 87% 	<p>Human</p> <ul style="list-style-type: none"> No. of employees - 296 Increase in no. of female employees - 6 Increase in no. of youth employees - 5 Increase in value of remuneration paid - 7.8% Reduction in employee retention rate - 1 Staff engagement level - 61.2%
<p>Intellectual</p> <ul style="list-style-type: none"> 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 (52% market share) Bomaid has over 50 years of value –driven experience in the medical aid industry 		<p>Intellectual</p> <ul style="list-style-type: none"> Treating Customer Fairly – 74.1% brand value or reputation Increase in NPS - 4.78 	
<p>Social & relationship</p> <ul style="list-style-type: none"> No. of members – 38, 799 No. of beneficiaries – 85, 666 Commanding position in the industry Well-known and trusted brand Strong strategic partnerships Strong stakeholder relationships 		<p>Social & relationship</p> <ul style="list-style-type: none"> Enhancement of IT platforms & systems 	
<p>Manufactured</p> <ul style="list-style-type: none"> Footprint of the pharmaceutical business Stock of MRI Fleet of ambulances and EMS vehicles 	<p>Social & relationship</p> <ul style="list-style-type: none"> Increase in members = 1 369 Increase in dependents - 1745 Increase in customer satisfaction from 73.6% to 74.8% 		

VALUE CREATED Continued

SDG ALIGNMENT

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 across 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.

Economic		Social	Governance		
SDG8 – Decent work and economic growth	SDG3 – Ensuring healthy outcomes	SDG4 – Quality education	SDG5 – Gender equality	SDG16 – Peace, justice, and strong institutions	SDG17 – Partnerships for the goals
SDG Target 8.5 – Achieve full and productive employment and decent work for all	<ul style="list-style-type: none"> • SDG Target 3.1 – Average mortality rate of 0.003%. • SDG Target 3.3 – AIDS Chronic prevalence of 16.3% and viral suppression of 87%, 3,860 HIV beneficiaries. • SDG Target 3.4 – 14,225 beneficiaries for non-communicable diseases. • SDG Target 3.5 – Benefit for substance abuse introduced in 2020. • SDG Target 3.7 – Benefits for sexual and reproductive health-care services enhanced in 2020. • SDG Target 3.b – 849,739 pharmacy claims paid (Bomaid), 152,463 scripts filled (MRI). • SDG Target 3.c – 3,304,323 claim lines paid, 612 hospital admissions, P554m claims payments. Partnership with University of Botswana Faculty of Health Sciences to sponsor top students (Bomaid Excellence Award) • SDG Target 3.d – 8,785 screenings conducted. 	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	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	SDG Target 16.5 – Substantially reduce corruption and bribery in all their forms	SDG Target 17.1 – Strengthen domestic resource mobilization

VALUE CREATED Continued

SDG Indicators					
Economic	Social		Governance		
SDG8 – Decent work and economic growth	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"> No. of 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"> Professional subscriptions paid by organization. Refresher training on Thobo system 	<ul style="list-style-type: none"> 46% % of women in workforce 33% % of women in executive management 22% 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

TRADEOFFS

OVERVIEW

In creating value for stakeholders and managing risks, we are forced to make certain trade-offs. These trade-offs have impacts on our capital, 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, the various government measures to protect citizens have also made it more challenging for some members to access our services. As a result of fewer members accessing health facilities, our financial performance has benefitted. On the other hand, the business of MRI depends upon foot traffic at its clinics and pharmacies for revenue generation. These restrictions have had an adverse impact on the revenue generation of MRI.</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>

STAKEHOLDER ENGAGEMENTS



STAKEHOLDER ENGAGEMENTS

BOMAID CEO AWARDED 101 WORLD MOST FABULOUS HEALTHCARE LEADER AWARD

Our CEO was recognised as one of the 101 Most Fabulous Healthcare Leaders in the world by the World Health and Wellness Congress held in Mumbai, India, in February 2020. On his return from the event, he addressed Bomaid staff and dedicated the award to them while lauding them for their hard work.



STAKEHOLDER ENGAGEMENTS Continued

BOMAID 49th ANNUAL GENERAL MEETING

In our effort to enhance communication with our Members on Friday 9th October 2020, Botswana Medical Aid Society (Bomaid) held its 49th Annual General Meeting at Cresta Lodge in Gaborone. Due to the Covid-19 restrictions, the meeting was held both virtually and physically. At that meeting Management and the Board updated Bomaid Members on the Group's performance for 2020. Other business included; appointment of Auditors for the Group; approval of remuneration for the Auditors; appointment of Trustees; and approval of Trustees' remuneration. As always, the meeting also afforded the members an interactive platform with the Board and Management.

In his statement, the outgoing Bomaid Board Chairperson, Mr Ofentse Mabote, lamented the adverse impact of slow economic growth, but was optimistic in the Fund's overall performance. He noted that despite these challenges, Bomaid had managed to close off the year 2019 in a healthy financial position. He, however, cautioned against the Covid-19 pandemic. He highlighted that the Society was celebrating yet another milestone in 2020 in the attainment of its golden jubilee. "The year 2020 marks the 50th anniversary for Bomaid. We could not have travelled this far if it were not for our employees' unrivalled commitment all these years," he said.

Bomaid CEO, Mr. Moraki Mokgosana gave updated Members on the improvements the organisation continually makes in its financial performance. According to Mr Mokgosana, this had been achieved primarily through the strong operational and improved investment performances. "With regard to the implementation of the new Thobo core administration system, the recovery has positioned the Fund to accelerate its plans for brand and product positioning and to continue to avail affordable funding to Batswana from all walks of life,"

he said. Mr Mokgosana went on to acknowledge the recent challenges in the economy due to the Covid -19 pandemic and the competition in the health funding space which had led to a sluggish membership growth. He attributed this mainly to the current situation of few available employment opportunities and the downsizing of some of the Fund's clients.



STAKEHOLDER ENGAGEMENTS Continued

BOMAID SUPPORTS THE FIGHT AGAINST COVID-19

Bomaid is committed to Sustainable Development Goal number 3 and the enhancement of health and wellbeing.

When the World Health Organisation declared Covid -19 a pandemic, His Excellency The President of The Republic of Botswana Dr Mokgweetsi Masisi addressed the nation on the governments plans to address the scourge. The government set up a Covid -19 Relief Fund to mitigate the impact of Covid -19 or Coronavirus as it is com-monly known.

Bomaid, being at the fore of open private healthcare services and in service of all Botswana, answered the call and donated P2 million to the Fund.

Bomaid also introduced the Covid -19 Care Benefit. This benefit covers testing, treatment, and hospitalisation for all Bomaid members until full recovery (includes AS Happy). Should a member of Bomaid test positive for Covid -19, Bomaid will support them every step of the way. It is worth noting that this benefit is subject to Government current Covid -19 guidelines and protocols.

Also in responding to this pandemic, Bomaid adopted a 'Work from Home' policy to reduce the risk of infection amongst its employees. We also encourage our members to avoid coming to our offices and to use e-mails and other electronic means of communicating to contact us. We encourage you to download the app which is now available on Andorid phones and to also register on the member and service provider portal in the website: www.bomaid.co.bw. Members may also contact us through the Bomaid **Call Center** on **3633199** or **Whatsapp** us on **76242213**.

Members may contact us on the following e-mails:

General enquiries - bomaid2bomaid.co.bw

Claims submissions - claimsubmissions@bomaid.co.bw

New applications - newapp@bomaid.co.bw

Membership enquiries - membership@bomaid.co.bw

Chronic enrolemntst - managedcare@bomaid.co.bw

Payments (Eft and direct debits) - creditcontrol@bomaid.co.bw

Earlier in the year, Bomaid introduced a Covid - 19 cover which ensures that members who get infected with the virus are covered for all their medical expenses. This cover is open to all Bomaid members regardless of their health plan. We continue to encourage our members to take all the necessary precautions to avoid the risk of contracting the virus.



STAKEHOLDER ENGAGEMENTS Continued

BOMAID STAKEHOLDER ENGAGEMENT

Communication and engagement with our stakeholders is key to consolidating the relationship between Bomaid, Members and Healthcare Practitioners. The 2020 Bomaid stakeholder engagement started late in the year because of the Covid -19 pandemic and the resulting restrictive gatherings/ meetings regulations. Through these engagements, the Society was able to meet and engage with its Members and Healthcare Practitioners. These engagements were deemed to be especially essential in view of the fact that the organization could not hold the annual stakeholder seminars. These engagements which are held in Gaborone, Palapye, Francistown and Maun have become an essential contact point where Bomaid stakeholders are updated on new developments, events, products and services in the medical aid scheme. The sessions are also an essential platform where feedback is given to the Management of Bomaid.

During the proceedings, the Bomaid Chief Operations Officer, Mr. Thato Kubu shared, "The need to interact with our Members is essential to keep each you updated with what has been happening in the Society and the future outlook of the organisation." He went on to give the highlights of the Fund's activities during the course of the year which included the Launch of the Thobo System as well the brand repositioning. The brand relaunch introduced the new tagline, 'Health and Happiness at heart. With this came the introduction of the renaming of the Health Plan as the Happy Plans (A Happy, B Happy, C Happy, and AS Happy. He emphasised the important for Bomaid to empower its stakeholders and to aspire for healthier and happier lives and to deliver on its promise.

The Bomaid Service Provider Relations and Managed Care Manager Ms. Rudo Nthobatsang reiterated the importance of these sessions when she said, "It is important that we meet and air our issues so that we can be of good service to each other and the Bomaid Member. The fact that Bomaid has been in business for 50 years is testimony of a persevering organization that is willing to adjust and adapt to meet its stakeholders needs."

The overall sentiment of the members attending the event was that Bomaid has truly tried to assist and provide for its members in the 50 years it has been in service. They noted that, despite having gone through some challenges, Bomaid had endured and still came out ahead and encouraged Management to continue on its good path.



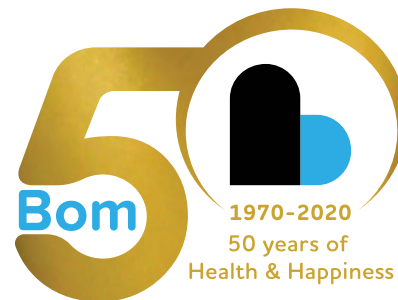


STAKEHOLDER ENGAGEMENTS Continued



BOMAID LAUNCHES 50th ANNIVERSARY CELEBRATION WITH INTERNAL STAKEHOLDERS

The year 2020 marked the 50 years since the inception of Botswana Medical Aid Society (Bomaid). It was only fitting that the organisation should celebrate its phenomenal growth with its internal stakeholders first, some of whom were here when it all began.



In its 50-year history, Bomaid has achieved several milestones, many of which are

firsts in the industry in Botswana. The main objective of the event was to celebrate employees' role in contributing to the 50 years of success and the milestones achieved during this period. The event created a platform for management to thank staff for standing by the organisation, noting that it is through their hard work, their sacrifices and their sweat that Bomaid has become the leading open medical aid organisation in the country. The Former Chief Executive Officer (CEO) of Bomaid, Mr Dennis Alexander honoured and graced the celebration. He is a pioneer who steered Bomaid from infancy, during medical aid trying times to the Nr. 4th largest open medical aid in Botswana. Diligently leading his team back in the 90's up until 2016 when he retired, he built a sound financial legacy that many Botswana continue to benefit from.



Bomaid acknowledged all the current long serving staff members who worked alongside Mr A during that time and all staff that currently serve the organisation alongside the presiding Bomaid CEO Mr Moraki Mogosana. It is with gratitude to them that Bomaid continues to grow during these global economic trying times. The event marked the time to pause, to reflect and celebrate years in service. As Bomaid began the journey of celebrating 50 years of servicing its members, it was with pride that the Bomaid History Wall was revealed alongside the 50th Anniversary celebratory logo. The logo will continue to be seen throughout all the upcoming 50th Anniversary Celebration events that will be shared with all the Fund's external stakeholders.

STAKEHOLDER ENGAGEMENTS Continued

ONLINE BRAND RELAUNCH

The history of Bomaid is a testament of an organisation on a mission to deepen its purpose — from the inside out. Like all leading brands, Bomaid has once again taken the time to introspect, improve, and reposition in order to meet the needs and concerns of its growing membership. The organisation sought and found a brand purpose that would incorporate its preventative approach to medicine, the organisational passion for sustained member welfare, and innovative product solutions.

With the above in mind, Bomaid proudly announced the new brand purpose that anchors its belief, conduct and approach to member wellbeing:



**Health &
Happiness
at heart**

- Firstly, the word **Health** crowns the Fund's end goal.
- Whilst the word **Happiness** uplifts the members' desire for a vibrant life.
- Lastly, the word **heart** actualises the Fund's passion to serve.

Bomaid has largely preserved the brand's existing visual integrity but has channeled its energies into a purpose the organisation believes will unlock its brand relevance to members and become a guiding star for the many exciting innovations that would come soon.

To Health & Happiness at heart!

STAKEHOLDER ENGAGEMENTS Continued

BOMAID BRAND LAUNCH

In response to findings in its customer survey, Bomaïd decided to update its purpose through repositioning its brand. After conducting a thorough brand workshop and follow up focus groups to uncover its true brand essence, the organisation discovered that its purpose was more profound than mere medical aid. It's raison d'être was to provide Health & Happiness to its Members. Thus, the new brand position 'Health & Happiness at heart' was born.

To mark this important milestone, Bomaïd hosted Botswana's first ever virtual brand launch streamed live through Bomaïd's own Facebook channel as well as the country's largest Facebook page with over 800 000 followers. The responsible decision to launch online was driven by the need to protect lives amidst the pandemic by practicing social distancing. Thousands of Bomaïd members, the media and the public heeded the call to stay home and viewed the launch from the comfort of their homes.

The launch featured an uplifting brand video, inspiring speeches from both the CEO, Moraki Mokgosana and COO, Thato Kubu. Finally, the new brand was revealed amidst pomp, fanfare and golden confetti.

Management is hopeful that this development will successfully reposition the brand to impress its audience as being vibrant, sophisticated and modern away from the perception of being staid brand.



STAKEHOLDER ENGAGEMENTS Continued

BUILDING LAUNCH

To acknowledge the calls by employees for an enhanced working environment and in line with the repositioning of the brand, the Bomaïd Board approved plans by Management to reconfigure the office space to allow for a more conducive workspace. After months of intense construction work, the CEO Moraki Mokgosana cut the ceremonial ribbon to unveil the new office improvements to the elated cheers of the staff members. New furniture, charming décor and sprightly break away spaces punctuated the new office space.

Such developments are considered an investment by the Board as job satisfaction is a major determinant of employee retention and attraction. Similarly, management is confident that responding to employee needs in this manner will yield happier employees who in turn go the extra mile to serve members exceptionally.





**CORPORATE SOCIAL
RESPONSIBILITY**

CORPORATE SOCIAL RESPONSIBILITY

WHEELCHAIR DONATION

In the quest to contribute to the health and wellness of Batswana, Bomaïd donated 15 wheelchairs to the Y-Care Chairman's Challenge in September 2020. This was part of an initiative where the Chairman of the Y-Care Trust, Mr. Modise Koofethile, accompanied by other cyclists, rode a total of 500km's in the Okavango and Ngamiland regions in Northwest Botswana donating 33 wheel chairs to eleven clinics and one primary hospital. The beneficiaries were located in places like Beetsha, Seronga, Xakau, Kauxwi, Shakawe, Sepopa, Etsha, Nokaneng, Qangwa and Sehithwa. The Chairman's Challenge is an annual event that seeks to raise awareness on cancer and diabetes.



CORPORATE SOCIAL RESPONSIBILITY

Continued

BOMAID EXCELLENCE AWARD UB FACULTY OF HEALTH SCIENCES

In 2018, Bomaïd went into partnership with UB Faculty of Health Sciences and established the Bomaïd Excellence Award. The award is given to a student with the highest academic achievement and who has demonstrated good leadership qualities in their final year.

The Faculty of Health Sciences is proud and grateful for the support from Bomaïd to provide Prize money for the best Graduating Student in the Faculty of Health Sciences. The Bomaïd 2020 Excellence Award went to Shirley Mmasebabatso Thamae from the School of Allied Health Professions' Dean, Faculty of Health Sciences. The UB virtual graduation ceremony was held in November 26th, 2020.



“I am a Mosotho woman, married, who would love nothing more than to see her country reach a higher level of not only diagnosis but research for cancer treatment. Therefore I still aspire to go further to pursue up to PhD to facilitate that purpose. What the award means to me is that nothing is impossible with God, He anchored me throughout and in the end His glory has been truly revealed in my life, I truly did not expect this so this is His blessing beyond far more than I ever thought and I will forever be eternally grateful for the recognition of such.”

“Thank you so much Bomaïd”

CORPORATE SOCIAL RESPONSIBILITY

Continued

BLOOD DRIVE

Bomaid joined Botswana National Blood Transfusion Services (NBTS) in December 2020 in a Share Life blood drive campaign. The campaign was initiated by NBTS and Bomaid partnered with the Center as an integral part of its social responsibility, targeting its members and the public at large.

The main objective to partner was an effort by Bomaid to support NBTS in answering the national call for blood shortage in the country. 679 units of blood were collected during the campaign. It is worth noting to donors that their support plays a vital role in health care in that a single pint could save three lives. In the era of Covid-19, additional safety protocols were put in place to keep people safe and healthy during the process of donating blood. A big thank you to all the donors and the public is still encouraged to give blood as well as to raise awareness about the national and global need for safe blood.



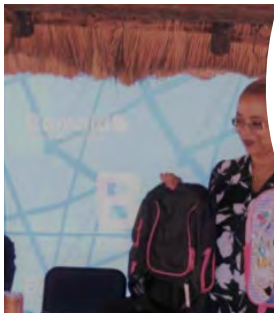
CORPORATE SOCIAL RESPONSIBILITY

Continued

SOS

We love children. So in December 2019 we decided to go on a movie date together with our friends at SOS Children's Village. After all, it was festive and all about giving.

This was followed in the year (2020), by a donation of stationery and school bags for the children to get them started at school. This was made possible through our sponsorship with Diacore Marathon 2019, in which they gave back a quarter of our sponsorship to a charity of our choice.



MAJWE AM 570KM RIDE

From the 3rd to the 5th of December 2020, The Bomaid CEO, Moraki Mokgosana, joined a group of cyclists who rode from Gaborone to Mahalapye, back to Gaborone and then to Jwaneng. Bomaid co-sponsored this 570km charity ride through which more than P2.4 million was raised towards the upliftment of school going pupils in the Jwaneng Mine's Zone of Influence, as well as supporting disadvantaged groups to build sustainable projects for economic breakthroughs.

The event was held in memory of the late Debswana Managing Director, Mr Albert Milton who died in August 2019. The funds raised from this event were allocated to three projects: Construction of classroom blocks at Mokhomma Primary School and Kgosisimpe Junior Secondary School; Provision of 4 bulk multi-purpose photocopying machines for primary schools in the region; and the provision of sanitary pads to the community in the cluster.



CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

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	E Maite: Appointed Chairman on 9th October 2020 F Ferguson: Appointed Deputy Chairman on 9th October 2020 L Andries J Ghanie C Kgosiile: Resigned 31st March 2020 O Mabote: Former Chairperson - Retired on 9th October 2020 T P Silitshena: Former Deputy Chairman - Retired on 9th October 2020 O Ramasedi: Appointed on 16th October 2020 E Disele : Retired on 28th January 2020 O Nkomazana: Retired on 9th October 2020 L Motladile: Appointed 16th October 2020
Principal Officer	Moraki Mokgosana
Secretary	Moraki Mokgosana
Registered office	Plot 50638 Fairgrounds Office Park Gaborone Botswana
Bankers	African Banking Corporation of Botswana Limited Bank Gaborone Limited Barclays Bank of Botswana Limited First Capital Bank First National Bank of Botswana Limited First Rand Bank Limited - South Africa Stanbic Bank of Botswana Limited Standard Chartered Bank Botswana Limited
Independent auditors	Deloitte & Touche Plot 64518 Fairgrounds Gaborone Botswana
Functional Currency	Botswana Pula (BWP)

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

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 2020, 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.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

BOARD OF TRUSTEES' RESPONSIBILITY STATEMENT AND APPROVAL OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

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 91 to 94.

Approval of the consolidated and separate financial statements of the Society

The consolidated and separate financial statements set out on pages 95 to 173, which have been prepared on the going concern basis, were approved and authorised for issue on 23 April 2021 by the Board of Trustees and were signed on its behalf by:



Risk and Audit Committee Chairperson



Board Chairperson



Principal Officer

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 95 to 173 which comprise the consolidated and separate statements of financial position as at 31 December 2020, 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 2020 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.



Partners: CV Ramatlape (Botswana) F C Elk (South Africa) P Naik (Zimbabwe)
M J Wotherspoon (South Africa) EG Kyuchukova-Troanska (Bulgaria)

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF BOTSWANA MEDICAL AID SOCIETY

KEY AUDIT MATTER

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

VALUATION OF THE OUTSTANDING CLAIMS PROVISION (CONSOLIDATED AND SEPARATE)

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.

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.

The outstanding claims provision calculation is based on the following of factors:

- 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.

Certain of the above-mentioned factors require judgement and assumptions to be made by the Society's Trustees and therefore we identified the valuation of the outstanding claims provision as a key audit matter.

The outstanding claims provision is disclosed in note 20.

In evaluating the valuation of the outstanding claims provision, we performed various procedures including the following:

- Testing the design and implementation of the Society's controls relating to the preparation of the outstanding claims provision calculation.
- Testing the integrity of the information used in the calculation of the outstanding claims provision by performing substantive procedures.
- 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, using this estimate as a basis of assessing the reasonableness of the Trustees' estimate of the provision.
- Performing a retrospective review of the outstanding claims provision raised in the 2019 financial year based on actual claims paid in 2020 to verify that the assumptions applied to determine the outstanding claims provision are reasonable.
- Performing tests of detail on the current year outstanding claims provision including testing actual claims experienced subsequent to year end and to as close as possible to audit completion date.
- Assessing 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.
- 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.

The disclosure of the outstanding claims provision provisions and related assumptions are appropriate.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF BOTSWANA MEDICAL AID SOCIETY

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. 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF BOTSWANA MEDICAL AID SOCIETY

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

- 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.

Deloitte + Touche

Deloitte & Touche
Certified Auditors
Practicing Member: Pragna Naik (CAP 007 2021)

Gaborone
29th April 2021

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

Figures in Pula	Note	Consolidated		Separate	
		2020	2019	2020	2019
Assets					
Non-Current Assets					
Property, plant and equipment	3	69,187,822	52,301,184	35,520,037	24,819,205
Right-of-use assets	4	6,931,782	9,649,165	-	612,555
Intangible assets	5	3,204,315	4,005,394	3,204,315	4,005,394
Investments in subsidiaries	6	-	-	14,482,077	14,482,077
Equity instruments at fair value through other comprehensive income	7	99,311,548	112,001,687	99,311,548	112,001,687
Debt instruments at fair value through other comprehensive income	8	121,622,969	88,882,233	121,622,969	88,882,233
Deferred tax	9	68,075	309,470	-	-
		300,326,511	267,149,133	274,140,946	244,803,151
Current Assets					
Inventories	10	5,991,330	5,365,917	-	-
Trade and other receivables	11	13,923,273	9,127,981	8,567,232	4,236,324
Current tax receivable		631,048	567,917	-	-
Cash and cash equivalents	12	268,717,706	181,108,581	262,682,824	172,768,034
		289,263,357	196,170,396	271,250,056	177,004,358
Total Assets		589,589,868	463,319,529	545,391,002	421,807,509
Equity and Liabilities					
Equity					
Equity Attributable to Members of the Society					
Low claim reserve	13	461,910	461,910	461,910	461,910
Financial assets revaluation reserve	14	176,086,250	171,137,035	176,086,250	171,137,035
Property revaluation reserve	15	34,000,239	21,131,432	28,136,484	19,908,318
Accumulated funds		261,327,668	162,076,418	254,533,381	152,816,519
		471,876,067	354,806,795	459,218,025	344,323,782
Non-controlling interest		1,535,137	1,297,328	-	-
		473,411,204	356,104,123	459,218,025	344,323,782

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 *Continued*

Figures in Pula	Note	Consolidated		Separate	
		2020	2019	2020	2019
Liabilities					
Non-Current Liabilities					
Property development loan	16	6,230,681	6,953,059	-	-
Lease liabilities	17	6,183,095	8,418,857	-	-
		12,413,776	15,371,916	-	-
Current Liabilities					
Trade and other payables	18	35,668,592	29,822,955	21,293,635	17,710,496
Property development loan	16	717,844	2,280,091	-	-
Lease liabilities	17	2,082,345	2,201,166	-	642,599
Subscriptions in advance	19	9,109,338	2,207,802	8,400,917	1,367,935
Outstanding claims	20	56,186,769	55,331,476	56,478,425	57,762,697
		103,764,888	91,843,490	86,172,977	77,483,727
Total Liabilities		116,178,664	107,215,406	86,172,977	77,483,727
Total Equity and Liabilities		589,589,868	463,319,529	545,391,002	421,807,509

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in Pula	Note	Consolidated		Separate	
		2020	2019	2020	2019
Continuing operations					
Revenue	21	775,532,676	744,234,513	740,527,703	700,731,987
Benefits paid	22	(484,592,397)	(516,861,431)	(553,706,997)	(585,429,524)
Direct costs		(86,040,287)	(92,366,657)	-	-
Gross profit		204,899,992	135,006,425	186,820,706	115,302,463
Depreciation of property, plant and equipment	3	(5,290,944)	(4,779,114)	(2,709,923)	(2,229,830)
Amortisation of right of use assets	4	(2,739,089)	(2,222,126)	(650,850)	(645,255)
Impairment of investment in subsidiary		-	-	-	(1,730,188)
Amortisation of intangible assets	5	(801,079)	-	(801,079)	-
Impairment of financial assets	23	(2,439,515)	(4,460,683)	(2,385,033)	(6,581,589)
Profit/(loss) on disposal of property, plant and equipment	23	586,523	103,297	212,208	(118,677)
Foreign exchange gains	23	2,913,879	3,497,648	2,796,945	3,466,422
Administration expenses		(110,015,427)	(101,290,920)	(94,268,660)	(83,073,903)
Operating surplus	23	87,114,340	25,854,527	89,014,314	24,389,443
Finance income	24	7,623,765	5,931,471	7,590,846	5,843,219
Finance costs	25	(1,296,069)	(1,580,500)	(18,794)	(71,579)
Dividend and other income		3,314,371	4,482,338	2,997,520	3,266,702
Profit on sale of financial assets		2,132,976	1,206,641	2,132,976	1,206,641
Surplus before taxation		98,889,383	35,894,477	101,716,862	34,634,426
Taxation	27	305,053	531,938	-	-
Surplus from continuing operations		99,194,436	36,426,415	101,716,862	34,634,426
Discontinued operations					
(Loss)/profit from discontinued operations	29	(1,588)	178,506	-	-
Surplus for the year		99,192,848	36,604,921	101,716,862	34,634,426

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *Continued*

Figures in Pula	Note	Consolidated		Separate	
		2020	2019	2020	2019
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on property revaluation	3	13,711,466	-	8,228,166	-
Revaluation of equity instruments at fair value through other comprehensive income	14	2,627,815	1,493,138	2,627,815	1,493,138
Capital gains deferred taxation (charge)/release on property revaluation reserve		(546,448)	109,151	-	-
Total items that will not be reclassified to profit or loss		15,792,833	1,602,289	10,855,981	1,493,138
Items that may be reclassified to profit or loss:					
Revaluation of debt instruments at fair value through other comprehensive income	14	2,321,400	2,994,538	2,321,400	2,994,539
Other comprehensive income for the year net of taxation		18,114,233	4,596,827	13,177,381	4,487,677
Total comprehensive income for the year		117,307,081	41,201,748	114,894,243	39,122,103
Surplus attributable to:					
Members of the Society		99,251,250	36,541,353	101,716,862	34,634,426
Non-controlling interests		(58,402)	63,568	-	-
		99,192,848	36,604,921	101,716,862	34,634,426
Members of the Society					
From continuing operations		99,252,838	36,362,847	101,716,862	34,634,426
From discontinued operations		(1,588)	178,506	-	-
		99,251,250	36,541,353	101,716,862	34,634,426
Non-controlling interest:					
From continuing operations		(58,402)	63,568	-	-
Total comprehensive income attributable to:					
Members of the Society		117,069,272	41,131,631	114,894,243	39,122,103
Non-controlling interests		237,809	70,117	-	-
		117,307,081	41,201,748	114,894,243	39,122,103

The accounting policies on pages 102 to 124 and the notes on pages 125 to 173 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 2020

STATEMENTS OF CHANGES IN EQUITY

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
Consolidated								
Balance at 1 January 2019	461,910	21,028,830	166,649,359	187,678,189	125,535,065	313,675,164	1,227,211	314,902,375
Surplus for the year	-	-	-	-	36,541,353	36,541,353	63,568	36,604,921
Other comprehensive income for the year	-	102,602	4,487,676	4,590,278	-	4,590,278	6,549	4,596,827
Total comprehensive income for the year	-	102,602	4,487,676	4,590,278	36,541,353	41,131,631	70,117	41,201,748
Balance at 31 December 2019	461,910	21,131,432	171,137,035	192,268,467	162,076,418	354,806,795	1,297,328	356,104,123
Surplus for the year	-	-	-	-	99,251,250	99,251,250	(58,402)	99,192,848
Other comprehensive income for the year	-	12,868,807	4,949,215	17,818,022	-	17,818,022	296,211	18,114,233
Total comprehensive income for the year	-	12,868,807	4,949,215	17,818,022	99,251,250	117,069,272	237,809	117,307,081
Balance at 31 December 2020	461,910	34,000,239	176,086,250	210,086,489	261,327,668	471,876,067	1,535,137	473,411,204
Note(s)	13	15	14					
Separate								
Balance at 1 January 2019	461,910	19,908,318	166,649,358	186,557,676	118,182,093	305,201,679	-	305,201,679
Surplus for the year	-	-	-	-	34,634,426	34,634,426	-	34,634,426
Other comprehensive income for the year	-	-	4,487,677	4,487,677	-	4,487,677	-	4,487,677
Total comprehensive income for the year	-	-	4,487,677	4,487,677	34,634,426	39,122,103	-	39,122,103
Balance at 31 December 2019	461,910	19,908,318	171,137,035	191,045,353	152,816,519	344,323,782	-	344,323,782
Surplus for the year	-	-	-	-	101,716,862	101,716,862	-	101,716,862
Other comprehensive income for the year	-	8,228,166	4,949,215	13,177,381	-	13,177,381	-	13,177,381
Total comprehensive income for the year	-	8,228,166	4,949,215	13,177,381	101,716,862	114,894,243	-	114,894,243
Balance at 31 December 2020	461,910	28,136,484	176,086,250	204,222,734	254,533,381	459,218,025	-	459,218,025
Note(s)	13	15	14					

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

STATEMENTS OF CASH FLOWS

Figures in Pula	Note(s)	Consolidated		Separate	
		2020	2019	2020	2019
Cash flows from operating activities					
Surplus before taxation		98,889,383	35,894,477	101,716,862	34,634,426
Adjustments for:					
Depreciation of property, plant and equipment		5,290,944	4,779,114	2,709,923	2,229,830
Amortisation of right of use of assets		2,739,089	2,222,126	650,850	645,255
Amortisation of intangible assets		801,079	-	801,079	-
Profit/(loss) on disposal of property, plant and equipment		(586,523)	(103,297)	(212,208)	118,677
Profit on sale of financial assets		(2,132,976)	(1,206,641)	(2,132,976)	(1,206,641)
Effect of termination of leases		(114,526)	-	-	-
Effect of exchange rate movement on cash balances		652,077	(190,497)	652,077	(190,497)
Unrealised foreign exchange gains		(989,303)	(179,440)	(989,303)	(179,440)
Dividends received		(2,364,261)	(2,599,082)	(2,364,261)	(2,599,082)
Finance income		(7,623,765)	(5,931,471)	(7,590,846)	(5,843,219)
Finance costs		1,296,069	1,580,500	18,794	71,579
Impairment of investment in subsidiary		-	-	-	1,730,188
Impairment of financial assets		2,439,515	4,555,024	2,385,033	6,581,589
Changes in working capital:					
Inventories		(625,413)	(1,241,869)	-	-
Trade and other receivables		(7,234,807)	5,244,361	(6,715,941)	304,117
Trade and other payables		5,845,637	458,768	3,583,139	1,033,048
Subscriptions in advance		6,901,536	1,623,667	7,032,982	1,288,418
Outstanding claims		855,293	(12,210,667)	(1,284,272)	(12,239,726)
Discontinued operations		(1,588)	178,506	-	-
Cash generated from operations		104,037,460	32,873,579	98,260,932	26,378,522
Taxation paid	28	(63,131)	(815,575)	-	-
Net cash from operating activities		103,974,329	28,225,107	98,260,932	22,912,100

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

STATEMENTS OF CASH FLOWS *Continued*

Figures in Pula	Note(s)	Consolidated		Separate	
		2020	2019	2020	2019
Cash flows to investing activities					
Purchase of property, plant and equipment	3	(8,527,743)	(4,093,548)	(5,244,216)	(2,936,712)
Sale of property, plant and equipment proceeds		648,150	244,877	273,835	22,903
Purchase of fund management system	5	-	(4,005,394)	-	(4,005,394)
Purchase/sale of financial assets at fair value through comprehensive income		(11,979,103)	(15,839,818)	(11,979,103)	(15,839,817)
Interest income		7,623,765	5,931,471	7,590,846	5,843,219
Dividends received		2,364,261	2,599,082	2,364,261	2,599,082
Net cash used in investing activities		(9,870,670)	(15,163,330)	(6,994,377)	(14,316,719)
Cash flows to financing activities					
Repayment of property development loan		(2,284,625)	(2,207,031)	-	-
Payment on lease liabilities		(2,261,763)	(1,512,700)	(680,894)	(615,211)
Finance costs		(1,296,069)	(1,580,500)	(18,794)	(71,579)
Net cash used in financing activities		(5,842,457)	(5,300,231)	(699,688)	(686,790)
Total cash movement for the year		88,261,202	7,761,546	90,566,867	7,908,591
Cash at the beginning of the year		181,108,581	173,156,538	172,768,034	164,668,946
Effect of exchange rate movement on cash balances		(652,077)	190,497	(652,077)	190,497
Total cash at end of the year	12	268,717,706	181,108,581	262,682,824	172,768,034

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

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 11) and calculating the provision for outstanding claims (per note 20).

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

SIGNIFICANT ACCOUNTING POLICIES *Continued*

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 Members' 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 noncontrolling interests. Total comprehensive income of subsidiaries is attributed to the Members of the Society and to the noncontrolling 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.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.2 Consolidation (continued)

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.

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.

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.4 Property, plant and equipment (continued)

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 period of lease
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.

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.4 Property, plant and equipment (continued)

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.

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.5 Intangible assets (continued)

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

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.

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.6 Financial instruments (continued)

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.

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.6 Financial instruments (continued)

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 rate 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".

BOTSWANA MEDICAL AID SOCIETY

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.6 Financial instruments (continued)

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, 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.

The group always recognises lifetime expected credit loss for trade receivables, contract assets 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.

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.6 Financial instruments (continued)

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.

BOTSWANA MEDICAL AID SOCIETY

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.6 Financial instruments (continued)

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, recoveries from Members for co-payments and personal medical savings accounts;
- 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.

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.7 Tax (continued)

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.

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).

BOTSWANA MEDICAL AID SOCIETY

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

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.

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.8 Leases (continued)

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.

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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.

BOTSWANA MEDICAL AID SOCIETY

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

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 as the cash and cash equivalents at year end cover the outstanding claims provision more than three times.

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.14 Outstanding claims (continued)

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.

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.

BOTSWANA MEDICAL AID SOCIETY

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

1.15 Revenue from contracts with customers (continued)

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.

Significant judgments and estimates

Contracts with customers often include promises to deliver multiple products and services. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized, or ii) non distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. In general, the Group's goods and professional services are capable of being distinct as they could be performed by third party service providers and do not involve significant customisation.

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.

BOTSWANA MEDICAL AID SOCIETY

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SIGNIFICANT ACCOUNTING POLICIES *Continued*

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 29).

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.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

SIGNIFICANT ACCOUNTING POLICIES *Continued*

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

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:

- 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.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

SIGNIFICANT ACCOUNTING POLICIES *Continued*

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

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 higher of value-in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the cash flows 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, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

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.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

SIGNIFICANT ACCOUNTING POLICIES *Continued*

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

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 and MRI Botswana 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 for 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.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

SIGNIFICANT ACCOUNTING POLICIES *Continued*

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

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 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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	Expected impact:
• Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020	The impact of the amendment is not material.
• Definition of a business - Amendments to IFRS 3	1 January 2020	The impact of the amendment is not material
• Presentation of Financial Statements: Disclosure initiative	1 January 2020	The impact of the amendment is not material.
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020	The impact of the amendment is not material.

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 1 January 2021 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The standard is effective for the financial periods beginning on or after 1 January 2023. The group expects to adopt the standard for the first time in the 2023 consolidated and separate financial statements.

It is unlikely that the standard will have a material impact on the group's consolidated and separate financial statements.

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2021 or later periods but are not relevant to its operations:

Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39

Temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of financial items as hedged items have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The amendment is effective for the financial periods beginning on or after 1 January 2021. The group expects to adopt the amendment for the first time in the 2021 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

2. New Standards and Interpretations (continued)

The amendment is effective for the financial periods beginning on or after 1 January 2021. The group expects to adopt the amendment for the first time in the 2021 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The amendment is effective for the financial periods beginning on or after 1 January 2021. The group expects to adopt the amendment for the first time in the 2021 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform.

The amendment is effective for the financial periods beginning on or after 1 January 2021. The group expects to adopt the amendment for the first time in the 2021 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

2. New Standards and Interpretations (continued)

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4

An insurer applying the temporary exemption from IFRS 9 shall apply the new requirements of IFRS 9 concerning situations where a change in the basis for determining the contractual cash flows of a financial asset or financial liability is required by interest rate benchmark reform.

The amendment is effective for the financial periods beginning on or after 1 January 2021. The group expects to adopt the amendment for the first time in the 2021 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41

"Taxation" has been removed from the list of cash flows excluded from the fair value determination of biological assets.

The amendment is effective for the financial periods beginning on or after 1 January 2022. The group expects to adopt the amendment for the first time in the 2022 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The amendment is effective for the financial periods beginning on or after 1 January 2022. The group expects to adopt the amendment for the first time in the 2022 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

2. New Standards and Interpretations (continued)

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.

The amendment is effective for the financial periods beginning on or after 1 January 2022. The group expects to adopt the amendment for the first time in the 2022 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

Reference to the Conceptual Framework: Amendments to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The amendment is effective for the financial periods beginning on or after 1 January 2022. The group expects to adopt the amendment for the first time in the 2022 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

2. New Standards and Interpretations (continued)

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The amendment is effective for the financial periods beginning on or after 1 January 2022. The group expects to adopt the amendment for the first time in the 2022 consolidated and separate financial statements.

It is unlikely that the amendment will 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 the financial periods beginning on or after 1 January 2023. The group expects to adopt the amendment for the first time in the 2023 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The amendment is effective for the financial periods beginning on or after 1 January 2022. The group expects to adopt the amendment for the first time in the 2022 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

COVID-19 - Related Rent Concessions - Amendment to IFRS 16

The COVID-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2021 and
- there is no substantive change to other terms and conditions of the lease.

The amendment is effective for the financial periods beginning on or after 1 June 2020. The group expects to adopt the amendment for the first time in the 2021 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

3. Property, plant and equipment

Figures in Pula

Consolidated	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Leasehold property	58,030,000	-	58,030,000	47,119,288	(5,358,929)	41,760,359
Furniture and fixtures	18,905,415	(13,530,110)	5,375,305	16,930,688	(12,065,731)	4,864,957
Motor vehicles	6,022,172	(4,360,756)	1,661,416	5,957,443	(5,090,235)	867,208
Office equipment	664,544	(402,993)	261,551	587,069	(229,783)	357,286
IT equipment	5,769,291	(3,339,580)	2,429,711	4,955,935	(2,240,557)	2,715,378
Leasehold improvements	3,211,612	(1,781,773)	1,429,839	1,817,832	(1,248,232)	569,600
Capital work in progress	-	-	-	1,166,396	-	1,166,396
Total	92,603,034	(23,415,212)	69,187,822	78,534,651	(26,233,467)	52,301,184

Separate	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Leasehold property	31,000,000	-	31,000,000	23,199,288	(3,461,329)	19,737,959
Furniture and fixtures	1,620,929	(380,983)	1,239,946	1,036,568	(258,309)	778,259
Motor vehicles	1,195,200	(606,371)	588,829	746,269	(484,778)	261,491
Office equipment	664,544	(402,993)	261,551	587,069	(229,783)	357,286
IT equipment	5,769,291	(3,339,580)	2,429,711	4,955,935	(2,240,557)	2,715,378
Capital work in progress	-	-	-	968,832	-	968,832
Total	40,249,964	(4,729,927)	35,520,037	31,493,961	(6,674,756)	24,819,205

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Consolidated - 2020

Figures in Pula

	Opening carrying value	Additions	Disposals	Transfers	Revaluations	Depreciation	Closing carrying value
Leasehold property	41,760,359	2,998,256	(13,218)	968,832	13,711,466	(1,395,695)	58,030,000
Furniture and fixtures	4,864,957	1,798,302	(12,465)	139,444	-	(1,414,933)	5,375,305
Motor vehicles	867,208	1,314,435	(7,023)	-	-	(513,204)	1,661,416
Office equipment	357,286	85,280	(5,051)	-	-	(175,964)	261,551
IT equipment	2,715,378	937,690	(23,870)	-	-	(1,199,487)	2,429,711
Leasehold improvements	569,600	1,393,780	-	58,120	-	(591,661)	1,429,839
Capital work in progress	1,166,396	-	-	(1,166,396)	-	-	-
	52,301,184	8,527,743	(61,627)	-	13,711,466	(5,290,944)	69,187,822

Reconciliation of property, plant and equipment - Consolidated - 2019

	Opening carrying value	Additions	Disposals	Transfers	Depreciation	Closing carrying value
Leasehold property	42,888,483	156,363	-	-	(1,284,487)	41,760,359
Furniture and fixtures	4,778,300	1,275,110	(4,651)	356,793	(1,540,595)	4,864,957
Motor vehicles	526,585	-	-	787,011	(446,388)	867,208
Office equipment	423,738	1,301	(5,000)	-	(62,753)	357,286
IT equipment	1,998,610	1,930,023	(131,929)	-	(1,081,326)	2,715,378
Leasehold improvements	1,002,705	-	-	(69,540)	(363,565)	569,600
Capital work in progress	1,509,909	730,751	-	(1,074,264)	-	1,166,396
	53,128,330	4,093,548	(141,580)	-	(4,779,114)	52,301,184

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Separate - 2020

Figures in Pula

	Opening carrying value	Additions	Disposals	Transfers	Revaluations	Depreciation	Closing carrying value
Leasehold property	19,737,959	2,998,256	(13,218)	968,832	8,228,166	(919,995)	31,000,000
Furniture and fixtures	778,259	605,500	(12,465)	-	-	(131,348)	1,239,946
Motor vehicles	261,491	617,490	(7,023)	-	-	(283,129)	588,829
Office equipment	357,286	85,280	(5,051)	-	-	(175,964)	261,551
IT equipment	2,715,378	937,690	(23,870)	-	-	(1,199,487)	2,429,711
Capital work in progress	968,832	-	-	(968,832)	-	-	-
	24,819,205	5,244,216	(61,627)	-	8,228,166	(2,709,923)	35,520,037

Reconciliation of property, plant and equipment - Separate - 2019

	Opening carrying value	Additions	Disposals	Depreciation	Closing carrying value
Leasehold property	20,391,683	156,363	-	(810,087)	19,737,959
Furniture and fixtures	556,169	315,838	(4,651)	(89,097)	778,259
Motor vehicles	448,058	-	-	(186,567)	261,491
Office equipment	423,738	1,301	(5,000)	(62,753)	357,286
IT equipment	1,998,610	1,930,023	(131,929)	(1,081,326)	2,715,378
Capital work in progress	435,645	533,187	-	-	968,832
	24,253,903	2,936,712	(141,580)	(2,229,830)	24,819,205

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

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 fair value measurements as of the group's leasehold land and buildings as at 31 December 2020 were performed 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 16.
- 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 16.
- 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 P38 468 180 (2019: P36 122 935) 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.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

3. Property, plant and equipment (continued)

If the cost model had been used, the carrying amounts of the revalued land and buildings, would be P21 923 338 (2019:P19 182 485) 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 separate and its respective subsidiaries.

Group 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.

4. Right of use assets

The group held twelve (12) existing lease contracts at 1 January 2020 in its capacity as the Lessee. During the 2020 year the group entered into 3 new leases and 2 leases ended. As at 31 of December 2020, the lease contracts comprised of eleven (11) property leases and two motor vehicle leases.

A weighted average incremental borrowing rate of 6.5% (2019: 6.5%) and 8.5% (2019: 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 2020.

Right-of-use of assets - Consolidated

Figures in Pula	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	11,445,779	(4,691,960)	6,753,819	11,820,095	(2,192,434)	9,627,661
Motor vehicles	249,627	(71,664)	177,963	51,196	(29,692)	21,504
	11,695,406	(4,763,624)	6,931,782	11,871,291	(2,222,126)	9,649,165

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Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

4. Right of use assets (continued)

Right-of-use of assets - Consolidated

Figures in Pula	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	1,296,105	(1,296,105)	-	1,257,810	(645,255)	612,555

Right-of-use of assets reconciliation - Consolidated

2020 - In Pula	Buildings	Motor vehicles	Total
Balance at 1 January 2020	9,627,661	21,504	9,649,165
Additional leases	632,458	198,431	830,889
Terminated leases	(809,183)	-	(809,183)
Depreciation	(2,697,117)	(41,972)	(2,739,089)
Balance at at 31 December 2020	6,753,819	177,963	6,931,782

2019 - In Pula	Buildings	Motor vehicles	Total
Balance at 1 January 2019	10,470,441	51,196	10,521,637
Additional leases	1,349,654	-	1,349,654
Depreciation	(2,192,434)	(29,692)	(2,222,126)
Balance at 31 December 2019	9,627,661	21,504	9,649,165

Separate

The society held two (2) existing lease contracts at 1 January 2020 in its capacity as the Lessee. During the 2020 year the 2 leases ended.

A weighted average incremental borrowing rate of 6.5% (2019: 6.5%) was applied in the calculation of the discounted present value of the lease liabilities on 31 December 2020.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

4. Right of use assets (continued)

Right of use of assets reconciliation - Separate

2020 - In Pula

Balance as at 1 January 2020

Additional leases

Depreciation

Balance at 31 December 2020

Buildings	Total
612,555	612,555
38,295	38,295
(650,850)	(650,850)
-	-

2019 - In Pula

Balance at 1 January 2019

Depreciation

Balance at 31 December 2019

Buildings	Total
1,257,810	1,257,810
(645,255)	(645,255)
612,555	612,555

5. Intangible assets

Consolidated and Separate	2020			2019		
	Cost	Accumulated amortisation	Carrying amount	Cost	Accumulated amortisation	Carrying amount
MIP Fund Administration Software	4,005,394	(801,079)	3,204,315	4,005,394	-	4,005,394

Figures in Pula

Reconciliation of intangible assets - Consolidated and Separate - 2020

	Opening balance	Amortisation	Closing balance
MIP Fund Administration Software	4,005,394	(801,079)	3,204,315

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

5. Intangible assets (continued)

Reconciliation of intangible assets - Consolidated and Separate - 2019

	Opening balance	Amortisation	Closing balance
MIP Fund Administration Software	-	4,005,394	4,005,394

The Society contracted a software company to develop a new integrated billings and claims management system to replace the system in use. The system (MIP Fund Accounting Software) testing and implementation was completed in December 2019 and the software was rolled out for use in the day to day operations on 01 January 2020.

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 separate's financial statements.

Separate

Name of company	Held by	% holding 2020	% holding 2019	Carrying amount 2020 P	Carrying amount 2019 P
Southview Proprietary Limited	Botswana Medical Aid Society	100.00 %	100.00 %	50,551,969	50,551,969
				50,551,969	50,551,969
				(36,069,892)	(36,069,892)
				14,482,077	14,482,077
Reconciliation of investments in subsidiaries					
				14,482,077	16,212,265
				-	(1,730,188)
				14,482,077	14,482,077

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Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

6. Investments in subsidiaries (continued)

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

MRI Botswana Proprietary Limited

Country of incorporation	% Ownership interest held by non-controlling interest	
	2020	2019
Botswana	6 %	6 %

Summarised statement of financial position

Assets

Non-current assets

Current assets

Total assets

Liabilities

Non-current liabilities

Current liabilities

Total liabilities

Total net assets

Carrying amount of non-controlling interest

MRI Botswana Limited	
2020	2019
P	P
40,908,960	37,255,437
18,501,033	20,729,171
59,409,993	57,984,608
12,550,169	15,633,625
21,274,173	20,728,837
33,824,342	36,362,462
25,585,651	21,622,146
1,535,137	1,297,328

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

6. Investments in subsidiaries (continued)

Summarised statements of profit or loss and other comprehensive income

	MRI Botswana Limited	
	2020	2019
	P	P
Revenue	106,696,077	115,840,108
Other income and expenses	(107,974,477)	(115,061,641)
(Loss)/profit before tax	(1,278,400)	778,467
Tax expense	305,053	280,999
(Loss)/profit after tax	(973,347)	1,059,466
Other comprehensive income for the year	4,936,852	109,151
Total comprehensive income for the year	3,963,505	1,168,617
(Loss)/profit allocated to non-controlling interest	(58,402)	63,568

Summarised statement of cash flows

	MRI Botswana Limited	
	2020	2019
	P	P
Cash flows from operating activities	5,973,026	4,097,215
Cash flows to investing activities	(2,876,293)	(934,862)
Cash flows to financing activities	(5,394,970)	(3,303,297)
Net decrease in cash and cash equivalents	(2,298,237)	(140,944)

Sub-subsidiaries that are 100% owned

Refer to note 29 for information on Alpha Access Proprietary Limited, a company with discontinued operations and 100% owned by Southview Proprietary Limited. Alpha Access Proprietary Limited is incorporate in Botswana in accordance with the Botswana Companies Act.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

7. 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	
	2020	2019	2020	2019
Equity investments at fair value through other comprehensive income:	99,311,548	112,001,687	99,311,548	112,001,687

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:

Investments held at reporting date - Consolidated and Separate

Figures in Pula

	2020	2019
	Fair value	Fair value
Held Directly	152,658	152,658
BIFM Asset Management	68,212,926	73,181,843
Ninety One Fund Managers Botswana	30,945,964	38,667,186
Total	99,311,548	112,001,687

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

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

Summary of investments held by Fund Manager - Consolidated and Separate 2020	Held Directly	BIFM Asset Management	Ninety One Fund Managers Botswana	Total
	P	P	P	P
Onshore equity investments	152,658	35,397,630	12,448,270	47,998,558
Offshore equity investments	-	32,815,296	18,497,694	51,312,990
Total equity investments as disclosed per note above	152,658	68,212,926	30,945,964	99,311,548
Cash and money market investments (Note 12)	-	39,250,234	25,356,224	64,606,458
Onshore debt instruments at fair value through other comprehensive income (Note 8)	-	46,533,581	45,602,949	92,136,530
Offshore debt instruments at fair value through other comprehensive income (Note 8)	-	18,137,658	11,348,781	29,486,439
Total investments by Fund manager	152,658	172,134,399	113,253,918	285,540,975
Summary of investments held by Fund Manager - Consolidated and Separate 2019	Held Directly	BIFM Asset Management	Ninety One Fund Managers Botswana	Total
	P	P	P	P
Onshore equity investments	152,658	42,777,872	13,706,780	56,637,310
Offshore equity investments	-	30,403,971	24,960,406	55,364,377
Total equity investments as disclosed per note above	152,658	73,181,843	38,667,186	112,001,687
Cash and money market investments (Note 12)	-	29,586,821	42,013,693	71,600,514
Onshore debt instruments at fair value through other comprehensive income (Note 8)	-	45,649,041	27,959,220	73,608,261
Offshore debt instruments at fair value through other comprehensive income (Note 8)	-	15,273,972	-	15,273,972
	152,658	163,691,677	108,640,099	272,484,434

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Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019
8. Debt instruments at fair value through other comprehensive income				
Onshore bonds	92,136,530	73,608,261	92,136,530	73,608,261
Offshore bonds	29,486,439	15,273,972	29,486,439	15,273,972
	121,622,969	88,882,233	121,622,969	88,882,233
9. Deferred tax				
Deferred tax asset				
Property plant and equipment	(257,824)	(291,823)	-	-
Assessed tax losses	677,289	-	-	-
Leases	(1,578,082)	(2,082,077)	-	-
Right of use of assets	1,875,973	2,293,452	-	-
Unrealised exchange differences	(3,896)	4,660	-	-
General provision for bad debts	48,884	533,079	-	-
Revaluation of property plant and equipment	(694,269)	(147,821)	-	-
Total deferred tax asset	68,075	309,470	-	-
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. The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction. Therefore, they have been offset in the statement of financial position as follows:				
Deferred tax asset	68,075	309,470	-	-
Reconciliation of deferred tax asset				
Balance at beginning of year	309,470	(876,361)	-	-
Movement per statement of comprehensive income	305,053	1,076,680	-	-
Deferred tax to other comprehensive income	(546,448)	109,151	-	-
Balance at end of the year	68,075	309,470	-	-
10. Inventories				
Dispensary drugs, medicine and consumables	734,408	736,389	-	-
Merchandise	5,256,922	4,629,528	-	-
	5,991,330	5,365,917	-	-

The cost of inventories recognised in the consolidated financial statements as an expense during the year amounted to P46 917 969 (2019: P46 872 483). 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 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019
11. Trade and other receivables				
Financial instruments:				
Trade receivables	13,015,068	6,940,180	9,640,093	2,446,544
Loss allowance	(3,677,628)	(2,445,717)	(3,118,569)	(733,536)
Trade receivables at amortised cost	9,337,440	4,494,463	6,521,524	1,713,008
Wellness receivables	27,970	22,521	27,970	22,521
Amounts due from related parties	-	-	23,625	-
Other receivables	3,556,692	3,234,115	1,779,660	1,663,761
Non-financial instruments:				
VAT	21,633	198,605	-	-
Prepayments	979,538	1,178,277	214,453	837,034
Total trade and other receivables	13,923,273	9,127,981	8,567,232	4,236,324

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 (2019: 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.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

11. Trade and other receivables (continued)

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:

Consolidated

Expected credit loss rate:

Not past due: 6.11% (2019: 4%)

Less than 30 days past due: 7.39% (2019: 5.55%)

31 - 60 days past due: 93.19% (2019: 67.08%)

61 - 90 days past due: 94.79% (2019: 100%)

91 - 120 days past due: 51.59% (2019: 100%)

Total

Separate

Expected credit loss rate:

Current: 5% (2019: 5%)

31 - 60 days past due: 7% (2019: 7%)

61 - 90 days past due: 100% (2019: 100%)

91 - 120 days past due: 100% (2019: 100%)

Over 120 days past due: 100% (2019: 100%)

Total

	2020	2020	2019	2019
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Total	13,015,068	(3,677,628)	6,940,180	(2,445,717)
Separate				
Expected credit loss rate:				
Current: 5% (2019: 5%)	5,083,082	(254,154)	164,878	(3,298)
31 - 60 days past due: 7% (2019: 7%)	1,819,996	(127,400)	1,633,082	(81,654)
61 - 90 days past due: 100% (2019: 100%)	1,483,422	(1,483,422)	271,343	(271,343)
91 - 120 days past due: 100% (2019: 100%)	1,253,593	(1,253,593)	2,502	(2,502)
Over 120 days past due: 100% (2019: 100%)	-	-	374,739	(374,739)
Total	9,640,093	(3,118,569)	2,446,544	(733,536)

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

11. Trade and other receivables (continued)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance for trade receivables.

Opening balance in accordance with IFRS 9	(2,445,717)	(18,162,434)	(733,536)	(14,615,757)
Provision raised	(3,252,694)	(1,757,715)	(3,118,569)	(3,249,956)
Amounts written off	1,218,040	17,474,432	-	17,132,177
Release to income statement	802,743	-	733,536	-
Closing balance	(3,677,628)	(2,445,717)	(3,118,569)	(733,536)
Impairment expense comprises of:				
Provision for expected credit losses	(2,449,951)	(1,757,715)	(2,385,033)	(3,249,956)
Bad debts written off to profit or loss	-	(5,533,720)	-	(5,848,052)
Receipts recovered recognised in profit or loss	10,436	2,830,752	-	2,516,420
	(2,439,515)	(4,460,683)	(2,385,033)	(6,581,588)
12. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	15,069	22,963	2,298	4,624
Bank balances	122,691,989	77,805,778	116,669,878	70,905,800
Short-term deposits	81,404,190	31,679,326	81,404,190	30,257,096
Other cash and cash equivalents	64,606,458	71,600,514	64,606,458	71,600,514
	268,717,706	181,108,581	262,682,824	172,768,034
Cash and cash equivalents held by the entity that are not available for use by the group.	50,000	50,000	-	-

Cash and bank balances comprise cash and deposits with financial institutions which are payable on demand.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

13. Low claim reserve

Low claim reserve	461,910	461,910	461,910	461,910
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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.

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019

14. 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.

Opening balance	171,137,035	166,649,359	171,137,035	166,649,358
Revaluation gain on financial assets that will not be reclassified to profit or loss	2,627,815	1,493,138	2,627,815	1,493,138
Revaluation gain on financial assets that may be reclassified to profit or loss	2,321,400	2,994,538	2,321,400	2,994,539
	176,086,250	171,173,035	176,086,250	171,137,035

15. 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	21,131,432	21,028,830	19,908,318	19,908,318
Revaluation of property	13,711,466	-	8,228,166	-
Income tax relating to the revaluation of property	(546,448)	109,151	-	-
Non-controlling interest	(296,211)	(6,549)	-	-
	34,000,239	21,131,432	28,136,484	19,908,318

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019
16. Property development loan				
Held at amortised cost				
Term loan (i)	6,948,525	7,602,169	-	-
Term loan (ii)	-	1,630,981	-	-
	6,948,525	9,233,150	-	-
Split between non-current and current portions				
Non-current liabilities	6,230,681	6,953,059	-	-
Current liabilities	717,844	2,280,091	-	-
	6,948,525	9,233,150	-	-

(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) (2019: 6.5% per annum).

(ii) In 2015, the group obtained a bank loan amounting to P7.36 million which was used as follows:

- P3.7 million was used to set up a Prime Health Pharmacy and Prime Health General Practice at Delta Medical Centre in Maun.
- P2.6 million was used to set up Prime Health General Practice and Prime Health Pharmacy in Kasane.
- P1.06 million was used to set up Prime Health Travel Clinic at Sir Seretse Khama Airport.

The loan was payable over 60 months at equal installments of about P154 574 commencing in December 2015 and was fully paid off on 15 December 2020.

Interest was charged at the Botswana prime lending rate plus 2%.

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.

The construction of the office building was completed.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019
17. Lease liabilities (continued)				
Other disclosures				
Interest expense on lease liabilities	804,272	848,502	18,794	60,064
Payment for leases	2,261,763	2,361,201	680,894	675,275
18. Trade and other payables				
Financial instruments:				
Trade payables	9,656,610	8,586,480	-	-
Trade payables - related parties	-	-	2,451,070	3,637,576
Other accrued expenses	8,171,221	9,152,459	5,780,993	6,945,627
Deposits received	32,950	82,951	-	-
Non-financial instruments:				
Payroll accruals	17,764,053	11,807,760	13,061,572	7,127,293
Refund liability	43,758	6,659	-	-
VAT	-	186,646	-	-
	35,668,592	29,822,955	21,293,635	17,710,496
19. Subscriptions received in advance				
Subscriptions received in advance - medical aid	9,109,338	2,207,802	8,400,917	1,367,935

These are amounts received from Members during the current year which relate to the following financial year. These amounts were classified as current liabilities as the benefits in respect thereof are expected to be utilised during the subsequent financial year.

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019

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	55,331,476	67,542,143	57,762,697	70,002,423
Prior year over provision	(11,043,932)	(7,378,421)	(11,043,932)	(7,378,421)
Current year increase in provision	56,186,769	53,052,831	56,478,425	57,637,701
Payment in respect of prior year	(44,287,544)	(57,885,077)	(46,718,765)	(62,499,006)
	56,186,769	55,331,476	56,478,425	57,762,697

21. Revenue

Revenue from contracts with customers is disaggregated as follows:

Sale of goods at a point in time - pharmacy drugs	12,850,967	10,867,734	-	-
Rendering of services over time - fees earned	24,720,331	35,411,496	-	-
Subscriptions	737,155,448	696,588,862	739,721,773	699,172,836
Wellness program	805,930	1,366,421	805,930	1,559,151
	775,532,676	744,234,513	740,527,703	700,731,987

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019
22. Benefits paid				
Dental	34,148,919	29,678,185	34,148,919	29,678,185
Hospital	201,326,008	207,438,745	201,326,008	207,438,745
Consultation and drugs	160,837,971	193,921,173	200,905,339	235,112,837
Maternity	13,697,190	15,491,493	13,697,190	15,491,493
Optical and appliances	26,708,641	23,262,869	26,708,641	23,262,869
Funeral	4,708,272	2,718,753	4,708,272	2,718,753
Emergency	-	-	11,072,115	10,820,740
Chronic ailments	36,340,744	36,188,223	36,340,744	36,188,223
Special benefit (i)	5,087,377	5,789,542	22,991,627	22,258,036
Severe illness benefit cover	938,429	945,223	938,429	945,223
Wellness program costs	798,846	1,427,225	869,713	1,514,420
	484,592,397	516,861,431	553,706,997	585,429,524
i) Special benefits				
Drugs and laboratory tests	5,087,377	6,557,705	22,991,627	23,026,199
Recoveries from Members	-	(768,163)	-	(768,163)
	5,087,377	5,789,542	22,991,627	22,258,036

23. Operating surplus

Operating surplus for the year is stated after charging/(crediting) the following items, amongst others:

Audit fees - current year	1,321,900	1,123,000	861,300	676,000
Audit fees - prior year	171,000	344,000	165,000	360,000
Staff pension contributions - defined pension contribution plan	5,138,248	4,397,873	3,519,605	3,200,546
Internal audit fees	983,256	467,725	983,256	467,725
Impairment of financial assets	2,439,515	4,460,683	2,385,033	6,581,589
(Profit)/loss on disposal of property, plant and equipment	(586,523)	(103,297)	(212,208)	118,677
Foreign exchange gains	(2,913,879)	(3,497,648)	(2,796,945)	(3,466,422)
Depreciation of property, plant and equipment	5,290,944	4,779,115	2,709,923	2,229,830
Depreciation of right of use assets	2,739,089	2,222,126	650,850	645,255
Amortisation of intangible assets	801,079	-	801,079	-
Key management remuneration	11,984,253	9,089,854	9,262,371	7,513,775
Trustees fees	1,869,450	1,818,400	1,444,800	1,645,400
Staff costs	91,427,366	84,801,338	50,148,834	43,182,054
Profit on sale of financial assets	(2,132,976)	(1,206,641)	(2,132,976)	(1,206,641)

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019
24. Finance income				
Short term deposits	7,623,765	5,931,471	7,590,846	5,843,219
25. Finance costs				
Lease liabilities	804,272	848,501	18,794	60,063
Interest on bank loans	491,797	731,999	-	11,516
Total finance costs	1,296,069	1,580,500	18,794	71,579
26. Dividend and other income				
Other rental income	560,446	700,923	141,750	141,750
Profit share - severe illness	-	-	360,000	360,000
Dividend	2,364,261	2,599,082	2,364,261	2,599,082
Sundry income	389,664	1,182,333	131,509	165,870
	3,314,371	4,482,338	2,997,520	3,266,702
27. Taxation				
Major components of the tax (income) expense				
Current taxation	-	544,742	-	-
Deferred tax	(305,053)	(1,076,680)	-	-
	(305,053)	(531,938)	-	-
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	98,889,383	35,894,477	101,716,862	34,634,426
Tax at the applicable tax rate of 22% (2019: 22%)	21,755,664	7,896,785	22,377,710	7,619,574
Tax effect of adjustments on taxable income				
Disallowed expenditure	44,158	11,151	-	-
Unutilised tax losses	24,047	(301,941)	-	-
Bomaid exempt income	(22,105,117)	(7,619,574)	(22,377,710)	(7,619,574)
Prior period deferred tax (over)/under provision	(23,805)	(518,359)	-	-
	(305,053)	(531,938)	-	-

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019
28. Tax paid				
Balance at beginning of the year	567,917	297,084	-	-
Current tax for the year recognised in profit or loss	-	(544,742)	-	-
Balance at end of the year	(631,048)	(567,917)	-	-
	(63,131)	(815,575)	-	-

29. Discontinued operations

Alpha Access Proprietary Limited

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 the company and sell its assets. On 11 April 2017, the shareholder, Southview Proprietary Limited, decided to cease operations of Alpha Access Proprietary Limited. The assets have since been fully disposed and the directors will commence processes to wind the company down. On the basis of the foregoing, Alpha Access Proprietary Limited financial statements are not prepared on a going concern basis. All its assets and liabilities are presented as current and valued at amounts not exceeding those expected to be realised.

Profit and loss

Other income	708	180,000	-	-
Bank charges	(2,296)	(1,494)	-	-
Net (loss)/profit before tax	(1,588)	178,506	-	-
Tax	-	-	-	-
	(1,588)	178,506	-	-

Assets and liabilities

Assets of disposal groups

Trade and other receivables	154,316	154,316	-	-
Cash and cash equivalents	56,349	57,937	-	-
	210,665	212,253	-	-

Equity

Stated capital	22,813,503	22,813,503	-	-
Accumulated loss	(22,602,838)	(22,601,250)	-	-
	210,665	212,253	-	-

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

30. Commitments

Authorised capital expenditure

Consolidated

The Group approved capital expenditure total capital expenditure of P9 100 000 to carryout projects below commencing in 2021. These capital commitments are yet to be contracted.

Capital expenditure commitments

Installation of a new integrated Pharmacy & Patient Management System	379,100	1,091,737
Call centre system upgrade	-	3,000,000
Relocation of courier pharmacy	-	1,160,000
Expansion and refurbishment of Maun clinic	-	1,514,749
Installation of clinic system	-	2,300,000
Call centre expansion	674,000	-
Block 3 refurbishment	122,000	-
General capital expenditure	2,673,972	-
	5,250,928	-

	379,100	1,091,737
	-	3,000,000
	-	1,160,000
	-	1,514,749
	-	2,300,000
	674,000	-
	122,000	-
	2,673,972	-
	5,250,928	-
	9,100,000	9,066,486

31. Contingencies

2020 - Consolidated

- The group has a legal matter pertaining to a former employee who alleges that they were unfairly dismissed. The matter is before the courts pending judgement. The group lawyers have advised that the matter is likely to be disposed of by virtue of the application filed for absolution from the instance. If that application fails, then the matter is most likely to be dismissed on the merits. The compensation for this claim can not be estimated reliably. The legal costs are estimated to be P150 000.
- The group has a legal matter that is at the Gaborone Industrial Court pertaining to a former employee who alleges that her contract was terminated unlawfully. The company's lawyers have advised that the the applicant has minimal success as the former employee's contract was terminated by virtue of effluxion of time and was therefore lawful. The legal costs are estimated to be P75 000.
- The Group received a letter of demand for compensation from a customer who alleges he was dispensed wrongful medication which caused him severe pain, suffering and trauma. The potential loss from this matter as per letter of demand is P1.5 million plus any legal costs which cannot be estimated reliably. The Group is not aware if the complainant has instituted legal action against the company. The Group's lawyers have advised that the letter of demand is insufficient to evaluate the prospects of success of the claim. The subsidiary company faced with this potential claim has a professional indemnity cover of up to P3 million to mitigate against an adverse outcome to the company in the event the complainant institutes legal action.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019

2020 - Separate

- The Society has a legal matter pertaining to a former employee who alleges that they were unfairly dismissed. The matter is before the courts pending judgement. The group lawyers have advised that the matter is likely to be disposed of by virtue of the application filed for absolution from the instance. If that application fails, then the matter is most likely to be dismissed on the merits. The compensation for this claim can not be estimated reliably. The legal costs are estimated to be P150 000.

32. 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

Related party balances

Year end balances arising from rendering of services included in outstanding claims

MRI Botswana - Outstanding claims payable	-	-	(519,923)	(2,431,221)
Other amounts due to related parties - non claims				
Alpha Access Proprietary Limited - payable	-	-	(154,315)	(154,316)
Southview Proprietary Limited - payable	-	-	(2,614,189)	(2,752,843)
MRI Botswana Limited - payable	-	-	(97,602)	(18,862)
	-	-	(2,866,106)	(2,926,021)
Amounts from from related parties - claims related				
MRI Botswana Limited	-	-	228,266	-
Amounts receivable from related parties - non claims				
MRI Botswana Limited - receivable	-	-	428,483	-

Amounts due to and from related parties are interest free, unsecured and without any repayment terms

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019
32. Related parties (continued)				
Related party transactions				
Compensation to trustees and other key management including directors' fees				
Directors/trustees' fees	1,869,450	1,818,400	1,444,800	1,645,400
Directors/trustees and key management remuneration	11,984,253	9,089,854	9,262,371	7,513,775
	13,853,703	10,908,254	10,707,171	9,159,175
Remuneration of key management personnel				
Short-term employment benefits	8,993,446	7,125,324	7,043,562	6,430,702
Post employment benefits	2,990,807	1,964,530	2,218,809	1,083,073
	11,984,253	9,089,854	9,262,371	7,513,775
Expenditure transactions with MRI Botswana Limited for services rendered				
Special benefit fund	-	-	17,904,250	16,468,494
Pharmacy revenue	-	-	40,067,368	41,191,664
Medical rescue services	-	-	11,072,115	10,820,740
Call center charges	-	-	-	992,785
Rental expense	-	-	110,452	104,759
Counselling services	-	-	-	192,730
Wellness program	-	-	70,867	87,195
Staff training	-	-	10,179	-
	-	-	69,235,231	69,858,367
Revenue transactions with MRI Botswana Limited for services rendered				
Subscriptions for medical aid	-	-	(2,566,325)	(2,586,465)
Shared service costs	-	-	(360,000)	(360,000)
Rental income	-	-	(141,750)	(141,750)

BOTSWANA MEDICAL AID SOCIETY

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

33. Financial instruments and risk management

Categories of financial instruments - In Pula

Categories of financial assets

Consolidated - 2020	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	7	-	99,311,548	-	99,311,548	99,311,548
Debt instruments at fair value through other comprehensive income	8	121,622,969	-	-	121,622,969	121,622,969
Trade and other receivables	11	-	-	12,922,102	12,922,102	12,922,102
Cash and cash equivalents	12	-	-	268,717,706	268,717,706	268,717,706
		121,622,969	99,311,548	281,639,808	502,574,325	502,574,325
Consolidated - 2019	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	7	-	112,001,687	-	112,001,687	112,001,687
Debt instruments at fair value through other comprehensive income	8	88,882,233	-	-	88,882,233	88,882,233
Trade and other receivables	11	-	-	7,751,099	7,751,099	7,751,099
Cash and cash equivalents	12	-	-	181,108,581	181,108,581	181,108,581
		88,882,233	112,001,687	188,859,680	389,743,600	389,743,600

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

33. Financial instruments and risk management (continued)

Separate - 2020	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	7	-	99,311,548	-	99,311,548	99,311,548
Debt instruments at fair value through other comprehensive income	8	121,622,969	-	-	121,622,969	121,622,969
Trade and other receivables	11	-	-	8,352,779	8,352,779	8,352,779
Cash and cash equivalents	12	-	-	262,682,824	262,682,824	262,682,824
		121,622,969	99,311,548	271,035,603	491,970,120	491,970,120
Separate - 2019	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	7	-	112,001,687	-	112,001,687	112,001,687
Debt instruments at fair value through other comprehensive income	8	88,882,233	-	-	88,882,233	88,882,233
Trade and other receivables	11	-	-	3,399,290	3,399,290	3,399,290
Cash and cash equivalents	12	-	-	171,906,597	171,906,597	173,007,266
		88,882,233	112,001,687	175,305,887	376,189,807	377,290,476

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

33. Financial instruments and risk management (continued)

Categories of financial liabilities - In Pula

Consolidated - 2020

	Note	Amortised cost	Total
Trade and other payables	18	17,860,781	17,860,781
Property development loan	16	6,948,525	6,948,525
Leases	17	8,265,440	8,265,440
		33,074,746	33,074,746

Consolidated - 2019

	Note	Amortised cost	Total
Trade and other payables	18	17,821,891	17,821,891
Property development loan	16	9,233,150	9,233,150
Leases	17	10,620,023	10,620,023
		37,675,064	37,675,064

Separate - 2020

	Note	Amortised cost	Total
Trade and other payables	18	8,232,063	8,232,063

Separate - 2019

	Note	Amortised cost	Total
Trade and other payables	18	10,583,203	10,583,203
Leases	17	642,599	642,599
		11,225,802	11,225,802

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate		
	2020	2019	2020	2019	
33. Financial instruments and risk management (continued)					
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 2019.					
The capital structure of the group consists of net debt (borrowings as detailed in notes 16, 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 2020.					
The group is not subject to any externally imposed capital requirements.					
Property development loan	16	6,948,525	9,233,150	-	-
Lease liabilities	17	8,265,440	10,620,023	-	642,599
Trade and other payables	18	35,668,592	29,822,955	21,293,635	17,710,496
Subscriptions received in advance		9,109,338	2,207,802	8,400,917	1,367,935
Outstanding claims	20	56,186,769	55,331,476	56,478,425	57,762,697
Total borrowings		116,178,664	107,215,406	86,172,977	77,483,727
Cash and cash equivalents	12	(268,717,706)	(181,108,581)	(262,682,824)	(172,768,034)
Net cash		(152,539,042)	(73,893,175)	(176,509,847)	(95,284,307)
Equity		473,411,204	356,104,123	459,218,025	344,323,782
Gearing ratio		(32)%	(21)%	(38)%	(28)%

BOTSWANA MEDICAL AID SOCIETY

Consolidated and Separate Financial Statements for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

33. Financial instruments and risk management (continued)

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.

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 2020, 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.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

33. Financial instruments and risk management (continued)

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 11.

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

Group	2020			2019			
	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	8	121,622,969	-	121,622,969	88,882,233	-	88,882,233
Trade and other receivables	11	16,599,730	(3,677,628)	12,922,102	10,196,816	(2,445,717)	7,751,099
Cash and cash equivalents	12	268,717,706	-	268,717,706	181,108,581	-	181,108,581
		406,940,405	(3,677,628)	403,262,777	280,187,630	(2,445,717)	277,741,913

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

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

Separate		2020		2019			
		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	8	121,622,969	- 121,622,969	88,882,233	-	88,882,233
	Trade and other receivables	11	11,471,348	(3,118,569)	4,132,826	(733,536)	3,399,290
	Cash and cash equivalents	12	262,682,824	-	173,906,597	-	173,906,597
			395,777,141	(3,118,569)	392,658,572	(733,536)	266,188,120

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 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 undercounted contractual amounts.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

33. Financial instruments and risk management (continued)

Consolidated - 2020

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Property development loan	16	-	4,261,840	3,196,934	7,458,774	6,230,681
Lease liabilities	17	-	7,105,208	-	7,105,208	6,183,095
Current liabilities						
Trade and other payables	18	17,860,781	-	-	17,860,781	17,860,781
Property development loan	16	1,065,460	-	-	1,065,460	717,844
Lease liabilities	17	2,687,004	-	-	2,687,004	2,082,345
		21,613,245	11,367,048	3,196,934	36,177,227	33,074,746

Consolidated - 2019

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Property development loan	16	-	4,338,265	4,430,569	8,768,834	6,953,059
Lease liabilities	17	-	8,457,973	1,681,552	10,139,525	8,418,857
Current liabilities						
Trade and other payables	18	18,668,416	-	-	18,668,416	17,821,891
Property development loan	16	2,810,334	-	-	2,810,334	2,280,091
Lease liabilities	17	2,994,135	-	-	2,994,135	2,201,166
		24,472,885	12,796,238	6,112,121	43,381,244	37,675,064

Separate - 2020

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	18	8,232,063	8,232,063	8,232,063

Separate - 2019

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	18	10,583,203	10,583,203	10,583,203
Lease liabilities	17	661,118	661,118	642,599

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019

33. Financial instruments and risk management (continued)

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 Group'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:

Non-current assets:

Equity and debt instruments and fair value through other comprehensive income - USD denominated

90,708,115	80,830,074	90,708,115	80,830,074
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Current assets:

Bank balances - ZAR denominated

4,058,061	1,913,589	4,058,061	1,843,589
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Bank balances - GBP denominated

990,893	824,253	990,893	824,253
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Current liabilities:

Trade and other payables - ZAR denominated

(411,337)	-	(176,253)	-
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Net exposure

95,345,732	83,567,916	95,580,816	83,497,916
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Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

Foreign currency amount

Non-current assets:

Equity and debt instruments and fair value through other comprehensive income - USD denominated

8,398,900	7,642,483	8,398,900	7,642,483
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Current assets:

Bank balances - ZAR denominated

5,764,291	2,985,318	5,764,291	2,876,114
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Bank balances - GBP denominated

69,855	54,910	69,855	54,910
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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019
33. Financial instruments and risk management (continued)				
Current liabilities:				
Trade and other payables - ZAR denominated	(584,286)	-	(250,359)	-
Exchange rates				
Pula per unit of foreign currency:				
Great Britain Pound	14.185	15.011	14.185	15.011
South African Rand	0.704	0.641	0.704	0.641
United States Dollar	10.576	10.576	10.800	10.576

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	2020	2020	2019	2019
	Increase	Decrease	Increase	Decrease
Increase or decrease in rate				
Impact on profit or loss:				
South African Rand denominated balances	(364,672)	364,672	(191,359)	191,359
Great Britain Pound denominated balances	99,089	(99,089)	82,425	(82,425)
United States Dollar denominated balances	9,070,817	(9,070,817)	8,083,006	(8,083,006)
Separate				
Increase or decrease in rate	2020	2020	2019	2019
	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
South African Rand denominated balances	(388,181)	388,181	(184,389)	184,389
Great Britain Pound denominated balances	99,089	(99,089)	82,425	(82,425)
United States Dollar denominated balances	9,070,817	(9,070,817)	8,083,006	(8,083,006)
	8,781,725	(8,781,725)	7,981,042	(7,981,042)

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019

33. Financial instruments and risk management (continued)

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 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 subjected to normal interest rate risk. The effective annual interest rates on the financial instruments noted above are as follows:

	Note	Average effective interest rate		Carrying amount	
		2020	2019	2020	2019
Consolidated					
Assets					
Money market investments		3.00 %	3.42 %	64,606,458	71,600,514
Liabilities					
Property development loan		5.75 %	6.50 %	6,948,525	7,602,169
Property development loan		8.50 %	8.50 %	-	1,630,981
				6,948,525	9,233,150
Assets					
Debt investments at fair value through other comprehensive income		7.50 %	7.50 %	121,622,969	88,882,233
Pula call account		1.00 %	1.00 %	70,355,560	59,434,067
GBP call account		1.00 %	1.00 %	990,898	824,253
Short term deposit		4.80 %	4.80 %	81,404,190	31,679,326
				274,373,617	180,819,879

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019

33. Financial instruments and risk management (continued)

	Note	Average effective interest rate		Carrying amount	
		2020	2019	2020	2019
Separate					
Assets					
Money market investments		3.00 %	3.42 %	64,606,458	71,600,514
Assets					
Debt investments at fair value through other comprehensive income		7.50 %	7.50 %	121,622,969	88,882,233
Pula call accounts		1.00 %	1.00 %	64,491,020	54,219,740
GBP call accounts		1.00 %	1.00 %	990,898	824,253
Short term deposits		4.80 %	4.80 %	81,404,190	30,257,096
				268,509,077	174,183,322

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:

Group	2020	2020	2019	2019
	Increase	Decrease	Increase	Decrease
Increase or decrease in rate				
Impact on profit or loss:				
Money market investment	323,032	(323,032)	358,003	(358,003)
Property development loan - term loan	(34,743)	34,743	(38,011)	38,011
Property development loan - commercial loan	-	-	(8,155)	8,155
	288,289	(288,289)	311,837	(311,837)
Separate				
Increase or decrease in rate				
Impact on profit or loss:				
Money market investment	323,032	(323,032)	358,002	(358,002)

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate	
	2020	2019	2020	2019

33. Financial instruments and risk management (continued)

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	2020	2020	2019	2019
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
Equity instruments at fair value	9,931,155	(9,931,155)	11,200,168	(11,200,168)
Separate	2020	2020	2019	2019
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
Equity instruments at fair value	9,931,155	(9,931,155)	11,200,168	(11,200,168)

34. 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.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *Continued*

Figures in Pula	Consolidated		Separate		
	2020	2019	2020	2019	
34. Fair value information (continued)					
Levels of fair value measurements					
Level 1					
Recurring fair value measurements					
Assets	Note(s)				
Equity investments at fair value through other comprehensive income					
Listed shares	7	99,158,890	112,001,687	99,158,890	112,001,687
Total		99,158,890	112,001,687	99,158,890	112,001,687
Level 2					
Recurring fair value measurements					
Assets	Note(s)				
Debt instruments at fair value through other comprehensive income					
Onshore bonds	8	92,136,530	88,882,233	92,136,530	88,882,233
Offshore bonds		29,486,439	-	29,486,439	-
Total debt instruments at fair value through other comprehensive income		121,622,969	88,882,233	121,622,969	88,882,233
Total		121,622,969	88,882,233	121,622,969	88,882,233

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Figures in Pula	Consolidated		Separate		
	2020	2019	2020	2019	
34. Fair value information (continued)					
Level 3					
Recurring fair value measurements					
Assets	Note(s)				
Property, plant and equipment					
Leasehold property	3	58,030,000	41,560,359	31,000,000	19,737,959
Equity investments at fair value through other comprehensive income					
Unlisted shares	7	152,658	152,658	152,658	152,658
Total		58,182,658	41,560,359	31,152,658	19,737,959

The market value for leasehold property is based on the market comparable approach that reflects recent transaction prices for similar properties.

35. Events after the reporting period

The COVID-19 pandemic continues to impact the Group due to national practices and regulations which result in operational business restrictions. There is however no immediate concern around the Group's going concern. Management is continually assessing and monitoring developments with regard to the pandemic and at the time of finalising the report, the board is confident that the responses are adequate.

Except for matters disclosed above, the directors are not aware of any other matters or circumstances arising since the end of the financial year, not otherwise dealt with in these financial statements that would have a significant effect on the operations of the Group or the result of its operations.

36. Fidelity cover

In accordance with the rules of the Society, fidelity cover of P2 000 000 (2019: P2 000 000) has been procured.

Bomaid

Health & Happiness at heart

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