



**ANNUAL GENERAL
MEETING REPORT**
2019/2020



Medical Aid Fund

We care for your health!

PULA MEDICAL AID FUND

2019/ 2020

ANNUAL REPORT





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NOTICE OF THE 2020 ANNUAL GENERAL MEETING

Notice is hereby given that the 2020 **Annual General Meeting (AGM)** of PULA MEDICAL AID FUND will be held at 09:00 Hours on **Friday 04th December 2020** Virtually and at **PROTEA HOTEL GABORONE MASA SQUARE** (for up to 50 members) in Gaborone, Botswana.

In compliance with international and national health guidelines and social distancing protocols in place to curb against the spread of Covid-19, Pula Medical Aid Fund's 2020 AGM will be hosted online via video conferencing. **To RSVP or for any enquiries, please contact The Secretary on Tel +267 315 9416 or Email: secretary@pulamed.co.bw**

AGENDA

ORDINARY BUSINESS

1. To read the Notice convening the meeting
2. To Adopt the Agenda

3. ORDINARY RESOLUTION NO.1

To receive and confirm the Minutes of the previous Annual General Meeting held on 06th December 2019.

4. To note the Chairman's remarks
5. To receive, consider and adopt the Trustees' Report for the year ended 30th June 2020.

6. ORDINARY RESOLUTION NO.2

Presentation of Annual Financial Statements and report

To receive, consider and adopt the Audited Financial Statements for the year ended 30th June 2020, together with the External Auditor's report as contained in the annual report.

7. ORDINARY RESOLUTION NO.3

Appointment and Re-election of Trustees of the Fund

- a) To ratify and confirm the appointment of new Trustees
- b) To confirm the re-election of Trustees who retire by rotation in terms of the Rules of the Fund and, being eligible, offer themselves for re-election.

8. ORDINARY RESOLUTION NO.4

Remuneration of Trustees

- a) To consider and approve the remuneration paid to Trustees for the year ended 30th June 2020 as disclosed in the Annual Report.
- b) To approve the remuneration structure of the Trustees for the financial year ending 30th June 2021.

9. ORDINARY RESOLUTION NO. 5

Remuneration of External Auditors

To ratify the remuneration paid to the independent External Auditors of the Fund for the year ended 30th June 2020 as disclosed in the Annual Financial Statements in the Annual Report.

10. ORDINARY RESOLUTION NO.6

Appointment of External Auditors

To re-appoint Deloitte & Touche as external auditors of the Fund for the ensuing year.

11. SPECIAL BUSINESS

SPECIAL RESOLUTION NO. 1

To consider and approve proposed amendments to the Rules of the Fund as presented in the Annual Report.

12. ANY OTHER BUSINESS

To transact any other business which may be transacted at an AGM.

13. PROXIES

A member entitled to attend and vote may appoint a proxy to attend and vote for him/her on his/her behalf. The instrument appointing such a proxy, if not completed online, must be emailed to secretary@pulamed.co.bw or deposited at the registered office of the Fund at:

**AFA House
Plot 61918
Showgrounds Office Park
Gaborone**

Proxies must be deposited no later than 0900Hours on Thursday 03rd December 2020.

14. ONLINE VOTING FOR RESOLUTIONS

Online voting will be conducted via a digital platform, and only Principal Members of the Fund who are in good standing may participate and vote. Members will be able to cast their votes via the digital voting platform on the day of the AGM. The link and details to access the digital platforms will be sent to Members in accordance with the AGM procedures.

15. NOTE TO MEMBERS

A copy of the Annual General Meeting Report together with Proxy Forms will be availed to Members by mail/email and is accessible at www.pulamed.co.bw

BY ORDER OF THE BOARD

Nomsa L. Otsogile
CORPORATE SECRETARY



If you cannot attend the **2020 Annual General Meeting (AGM)** of PULA MEDICAL AID FUND to be held at **09:00 Hours** on **Friday 04th December 2020 Virtually** and at **Protea Hotel Gaborone Masa Square** (for up to 50 members) in Gaborone, Botswana, and you are entitled to vote at the Annual General Meeting, you may appoint a proxy to vote on your behalf. This proxy only applies to the Annual General Meeting, and any adjournment of that meeting.

A. YOUR DETAILS

FULL NAMES	
MEMBERSHIP NO.	
POSTAL ADDRESS	
EMAIL	

B. WHO DO YOU WANT TO APPOINT AS YOUR PROXY

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

Chairman of the Annual General Meeting
If you appoint the Chairman as your proxy, and direct the Chairman on how to vote, the Chairman must call a poll on that vote and must vote the way you direct.

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

FULL NAMES	
MEMBERSHIP NO.	
POSTAL ADDRESS	
EMAIL	

as my proxy to act for me at the General Meeting which will be held, in addition to considering the ordinary business, for the purpose of considering and if deemed fit, passing with or without modification, the resolutions to be proposed under the special business vote thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in accordance with the following instructions:

ORDINARY RESOLUTIONS	FOR	AGAINST	ABSTAIN
1. Ordinary Resolution No. 1 (Approval of Minutes of the previous Annual General Meeting held on 06 th December 2019)			
2. Ordinary Resolution No. 2 (Adoption of the Audited Financial Statements for the year ended 30 th June 2020)			
3. Ordinary Resolution No. 3 a) (Ratification and confirmation of the appointment of new Trustees)			
4. Ordinary Resolution No. 3 b) (confirm the re-election of Trustees who retire by rotation in terms of the Rules of the Fund and, being eligible, offer themselves for re-election)			
5. Ordinary Resolution No. 4 (ratification of the remuneration paid to Trustees for the year ended 30 th June 2020)			
6. Ordinary Resolution No. 5 (ratify the remuneration paid to the independent External Auditors of the Fund for the year ended 30 th June 2020)			
7. Ordinary Resolution No. 6 a) (re-appoint Deloitte & Touche as external auditors of the Fund for the ensuing year)			
8. Ordinary Resolution No. 6 b) (approve the remuneration of the External Auditors for the year ending 30 th June 2021)			
SPECIAL RESOLUTIONS			
9. Special Resolution No. 1 (approve proposed amendments to the Rules of the Fund)			

DATE: _____ **SIGNATURE:** _____

* A proxy nomination shall only be given to a member of the Fund.
* The instrument appointing such a proxy, if not completed online, must be emailed to secretary@pulamed.co.bw or deposited at the office of the Administrator of the Fund, not later than 24hrs (Thursday 03rd December 2020) before the time for holding the Annual General Meeting, at:

CHAIRMAN'S FOREWORD



MALEHO MOTHIBATSELA

CHAIRMAN

On behalf of PULA Medical Aid Fund (the “Fund”) Board of Trustees, I am pleased to report that the financial year under review (July 2019 to June 2020), was another successful year for your medical aid scheme, both in terms of availed healthcare access and growth of the scheme.

The Fund’s continued ability to discharge its principal mandate of defraying the cost of access to quality healthcare services, while managing external pressures and maintaining strong solvency, is pleasing indeed. Amidst rising healthcare cost inflation coupled with the challenging economic backdrop, our focus has remained steadfast on the sustainability of the Fund.

Our commitment to being there for our members has guided our response to the outbreak of COVID-19. In this regard, the Fund introduced COVID-19 benefits to support members who become infected as well as put in place measures to support stakeholders who may be under strain. The net impact of COVID-19 in the last quarter of 2019/20 was reduced access to healthcare leading to reduced healthcare claims during that period.

On an annual basis the Trustees critically review the benefit options and identify areas where access to healthcare can be improved, with a view to offering an enhanced value proposition to our members. In this regard, I am pleased to report that the Fund has achieved its mandate of improving access to healthcare for members and has posted a respectable financial performance on the back of difficult economic conditions.

MEMBERSHIP

I am further pleased to inform you that during the year under review, the Fund experienced a net principal membership increase of 5%. The Fund closed the period with 20 229 principal members and 49 185 total lives covered. This is a pleasing development indeed against the backdrop of a weak and precarious economic environment exacerbated by the emergence of COVID-19 in the second half of the financial year.

HEALTH INDICATORS

During the period under review, access to healthcare services was facilitated for 42 922 beneficiaries, representing 87% of total lives covered. This represents an increase of 1.4% over the prior year in the number of beneficiaries that accessed healthcare services.

The average age of principal members remained relatively stable at 41.4 years compared to 41.1 years recorded in the prior year. The Fund continues to attract younger lives which is good for its sustainability. Members and beneficiaries over the age of 60 constitute only 3.2% of lives covered, up from 2.9% in the prior year, but well below the national average. The Fund’s chronicity has remained stable at 7.8%. That said, we remain concerned about the rising impact of non-communicable diseases on the Fund’s future

CHAIRMAN'S FOREWORD CONTINUED

sustainability, and it is against this background that, a preventative care approach through the Wellness and Non-communicable Diseases Programme is planned as part of the Fund's benefit enhancements going forward.

FINANCIAL PERFORMANCE

On the back of the pleasing membership growth figures posted over the financial year under review, premium adjustment increases, the Fund's gross contribution income grew by 14% to P359.6M, from P316.2M in the prior year.

During the first half of the year, prior to the onset of the pandemic, the Fund managed claims costs efficiently and was projected to perform exceptionally well. By year-end, claims costs had decreased by 5% on the prior year from P283.1M. This was largely as a result of, a curtailment in elective consultations and procedures and lower incidence of claim events occasioned by COVID-19 and its consequent lockdowns. Our claims ratio therefore closed out the year at 72%, a decrease of 15% on the prior year.

With regard to other income, investment income (dividends and interest received) grew by 0.2% on the prior year to P4.99M, reflecting the challenging investment environment encountered this financial year. Consistent with underlying capital market conditions of low rates and depressed equity markets, the Fund posted a P2.14M fair value loss on marked-to-market financial assets. This represented 2.1% of the Fund's financial assets at close of period. Notwithstanding the above, the overall solvency remained strong, at 42.8% versus 30.2% reported in the prior year. This was mainly driven by growth in relatively younger membership into the Fund and lower healthcare claim costs due to COVID-19 to close the year on a historic high comprehensive income surplus of P58.6M (2019: P2.3M).

However, we believe that the reserve growth will be more abated going forward as economic activity returns to some level of normalcy in the near term and that the bumper year in reserve growth posted is unlikely to be repeated in the foreseeable future.

OUTLOOK

Of particular concern is the increasing number of new hospitals and the consequent prospects of supplier driven demand in the sector going forward. While we believe that these new entrants will likely provide members greater access, and possibly quality medical care, historical evidence shows that there is a direct link between the entrance of new service providers and the absolute increase in claims costs. The prevalence of fraud, waste and abuse ("FWA") remains a further concern for the Fund and the industry at large. We continue to mitigate the incidence of FWA through member education; service provider profiling; managed care; and rigorous health risk management interventions.

STRATEGY

The growth of membership; managing the rising costs of healthcare and expanding PULA's value proposition remain of key strategic focus to the Board of Trustees. This is intended to afford the Fund the capability to better absorb adverse claims and improve the affordability of healthcare for members. The Fund is in the final year of its 2016-2021 strategy horizon which has been anchored on five pillars and ten priority areas. COVID-19 has been added as a strategic priority area of focus and dynamic plans have been put in place to manage and mitigate its effects on the Fund.

I am pleased to report that the Fund has so far exceeded its strategy targets, and we look forward to developing the next 5-year strategic plan, which will be shared with members and stakeholders in due course.

Last year, as part of the strategic thrust areas, I shared with you that the Fund was embarking on capacitating the Pula corporate office. I am happy to report to you that the Fund's new corporate offices are fully functional, with key resource roles already filled.



FUND'S GROSS CONTRIBUTION

2019/2020

P359.6m

2018/2019

P316.2m

CHAIRMAN'S FOREWORD CONTINUED

BOARD & CORPORATE GOVERNANCE

I am pleased to report to you that the Fund had a full complement of Trustees during the financial year under review. The Fund Rules provide for a maximum of ten Trustees. In the prior year, I shared with you that the Fund adopted King IV™ as its standard for good corporate governance. To that end, and in line with King IV™ recommendations, the Board of Trustees has proposed a change to the Fund Rules to have independent Trustees in the majority, bringing the total eligibility of Independent Trustees to six.

In this regard, I am pleased to inform you that Mr Priyalal De Silva, who has been the Independent Chairman of the Finance and Audit Committee during the financial year under review, has substantively joined the Board and this appointment will be tabled before the membership for ratification at the December 2020 Annual General Meeting.

In the financial year under review the Board of Trustees reviewed its governance structures to identify opportunities for efficiencies and cost savings. The six sub-committees of the Board were ultimately rationalised and consolidated, resulting in four new sub-Committees namely:

1. Finance, Audit and Investments Committee
2. Governance Committee
3. Benefits Management Committee
4. Risk and Compliance Committee

Accordingly, the responsibilities of the redundant committees were apportioned to other Board sub-Committees, specifically; the Procurement and Asset Disposal Committee and the Ethics and Dispute Resolution Committee which were absorbed into the Governance Committee and the Investments Committee which was absorbed into the Finance, Audit and Investments Committee.

The Board of Trustees is charged with the responsibility of establishing and preserving an ethos of good governance, transparency, and accountability. To this end, during the year under review, the Fund also introduced a Board Evaluation process to foster a culture of accountability.

REGULATORY MATTERS

As at the close of the financial year, regulations specific to the medical aid industry had not yet come into effect. Notwithstanding, the Fund remains close to developments on the regulatory front so as to be able

to anticipate regulatory requirements and respond to pronouncements on an ongoing basis. During the year under review the Board of Trustees underwent its maiden mandatory Anti-Money Laundering (“AML”) training. This will accordingly form part of ongoing mandatory Trustee training. In light of the national strategy to ensure AML, Counter-Financing of Terrorism (CFT) and Counter-Financing of Proliferation (CFP) compliance within the financial services sector, the Fund has found it fit to re-assure its membership of its continued commitment to its anti-money laundering programme that is fully compliant and in line with the Financial Intelligence (Amendment) Act (“FI Act”).

In the same vein, it is crucial that our members support all activities of the Fund aimed at ensuring full compliance with the FI Act and become part of the collaborative nationwide effort working towards the de-listing of Botswana by the Financial Action Task Force/International Co-operation Review Group (“FATF”)/ (“ICRG”). To this end, the Fund is embarking on a due diligence and membership KYC update process in alignment with this effort.

CONCLUSION

On behalf of the Board of Trustees, I would like to extend our gratitude to all stakeholders that continue to support our efforts of service improvement to members and indeed our strategic road map.

I would also like to take this opportunity to thank each member of the Board for their dedication, energy and professional commitment during the past year, in providing the much needed guidance and strategic leadership on key matters pertinent to the Fund.

To the Fund's Management and the Administrators, Associated Fund Administrators (“AFA”), as the backbone to the scheme, we value your commitment and appreciate all the hard, day-to-day work during the past year.

To the members of Pula, we the Board of Trustees, as always, remain humbled and appreciative of your continued confidence in our stewardship of your Fund.

Maleho Mothibatsela

Chairman of the Board of Trustees
Pula Medical Aid Fund
July 2020

PULA BABY MATERNITY PROGRAMME



How To Register For The Programme

- To enjoy the benefit, expectant parents can download an application on www.pulamed.co.bw
- Fill out the application form
- Submit to marketing@afa.co.bw
- or Apply online on the website

♥ 1 1 Note T&C. Only registered members qualify for the hamper bag

At PULA, we understand that being pregnant is a very important time in a woman's life and that having a baby is a life changing experience, and can be rather overwhelming to the family. This is why we have PULA Baby, a tailored maternity care programme that offers the best care to you and your partner throughout the stages of pregnancy. We walk this most exciting period with you by offering;



Advice And Educational Material

Throughout the various stages of pregnancy, we provide you with a learning opportunity so that you and your partner are prepared to participate in your own medical care and even make informed choices relating to delivery, mother and baby's health. We give both the expectant mother and father advice and educational materials.



Hamper Bag

What is pregnancy without goodies or a smile on your face. During the last trimester of the pregnancy our expectant members receive a hamper bag with goodies and educational materials on the mother and the baby's health as well as a guide to the father.



Early Identification Of High Risk Pregnancy

Not all pregnancies are the same; some are healthy while others can be a bit risky where you and the baby have an increased chance of health complications. At PULA we are committed to helping you deliver that bundle of joy safely and healthy, our programme is geared towards early identification of high risk pregnancy for referral to the relevant service provider.



Email Service To Expectant Father

Pregnancy is a transformational process for a man as such we do not leave our expectant fathers behind. We ensure that as a father you are fully involved from the first trimester to the last by providing you with an email service on what to expect when expecting to assist you to better understand the demands of expecting and be better placed to guide your partner.



On-going Telephone Advice And Support

Our advice and tips do not end with the first trimester of our members' pregnancy. During the second and third trimester we also provide on-going advice and support through the telephone. This allows our members to seek timely clarification and or further information. The opportunity also gives the necessary contact required during pregnancy.

PRINCIPAL OFFICER'S REPORT



DR. KHUMOETSILE MAPITSE

PRINCIPAL OFFICER

The position of Principal Officer, as described in rule 6.34, was introduced in November 2014 in terms of the Rules of The PULA Medical Aid Fund, and in conformity with industry best practice. The Principal Officer derives his responsibilities through delegation from the Board of Trustees, in which the Trustees delegate accountability for the day-to-day management of the Fund to the Principal Officer. The Principal Officer is required to carry out decisions of the Board and bears ultimate responsibility for all management functions. In line with the strategic objective of capacitating the Fund office (Head Office) as part of the re-organisational exercise, during the period under review the Fund relocated to new premises in the Gaborone CBD and the staff compliment increased to seven key staff members, including the Principal Officer, Executive Assistant, the Finance office and Legal & Compliance functions.



OVERVIEW

This was my first full financial year at PULA. I am happy to report that much has been achieved during the period under review in so far as the Fund's key strategic issues are concerned. The restructuring of PULA and the creation of a secretariat separate from AFA has resulted in a fully operational Principal Officer's office, complete with Legal & Compliance and Finance functions. We have completely moved out of AFA premises and believe the hybrid model we have adopted of insource and co-source provides us a much clearer oversight role and operational separation between AFA and ourselves. An additional positive development during the year was the engagement of an internal auditor. The Board and members of the Fund now have the added assurance that there is internal and external audits conducted on an ongoing basis.

It is gratifying indeed to be able to report a comprehensive income surplus of P58.6M for the year under review. The previous year ended with a conservative income surplus of only P2.3M, which was about half of the figure realised in the prior two years. The Fund found itself under pressure to protect its solvency and reserves in the face of increased claims and rising healthcare costs. In response, we implemented an inflation related subscription increase and introduced a number of health risk management tools to remedy leakages in dental and high severity claims linked to lifestyle diseases such as stroke and diabetes. Efforts to mitigate the rising cost of healthcare include the introduction of dental care managed products to monitor and reduce redundant visits to dentists as well as enhanced monitoring of service providers to reduce fraud, waste, and abuse (FWA). To this end, the Board and Management agreed that there was a need for the Fund to appoint a dental risk manager. By actively engaging with service providers, especially hospitals, we were better able to manage claims, and in spite of increased access to care by our members, we observed a reduction in cost per intervention.

PRINCIPAL OFFICER'S REPORT CONTINUED

Despite budgeting for a modest surplus of just over P1M based on what had transpired in the previous year, a marked improvement was already apparent in the first half of the year, with a mid-year positive surplus of P12M, indicating that the interventions we had made were bearing fruit and that the tide was turning. Concurrently, we experienced a decrease in cross-border referrals on the back of more specialists being registered locally, resulting in lower referral claims. These positive developments were achieved despite the backdrop of a lacklustre economy and underperforming markets.

The improvement continued into the second half of the year until the sudden advent of COVID-19, which completely altered the picture, both from a financial perspective and in terms of access to healthcare by our members. Fear of exposure to the virus meant that hospital visits reduced, consultations and elective procedures were postponed, and international referrals stopped completely, dramatically reducing claims costs and leading to an unexpected and exponential increase in the Fund's surplus.



MEMBERS

From the members' perspective, we saw an increase in access to healthcare until the point that COVID-19 impacted the nation, and the numbers have since reversed, leading to an overall decrease for the whole year, coupled with a reduction in cost per incident, which was lower than it had been in the previous year. During the period under review, we saw an increase in membership of 5.1%. The bulk of this rally occurred during the first half of the year, with only a 1% increase being reported from February until June.

We continue to engage with members online through our marketing team to better appreciate their situation and to share information on enhanced benefit offerings. We introduced WhatsApp Chat for our members and WhatsApp for Business for our service providers, along with an interactive new website with chat services and online membership application. Our digital strategy and rebranding exercises are underway, and this includes building a dedicated digital platform, confirming that we are moving into the digital space in a real way.



PERFORMANCE

We have seen a significant movement in terms of financials due to COVID-19, from a budgeted surplus of P1M to an actual surplus of over P58M. While a proportion of the surplus was as result of savings from COVID-19 restrictions and temporary regulations, the Fund was still on target to perform well, with an estimate of 70% of that figure having been realised without the interventions of COVID-19.

The Fund has seen a dramatic turnaround. The main driver of this improvement in the financials was due to the better-than-projected 5.1% membership growth along with an enhancement of the type of member that joined as opposed to those that left the Fund, particularly in terms of average age. A recent survey by the Board of Healthcare Funders showed that Pula Medical Aid Fund had the youngest membership in Botswana, fewer chronic members, a better pensioner average age, and the average age of principal members is also lower than the national average. These numbers are positive even when compared to medical aids in South Africa.

PRINCIPAL OFFICER'S REPORT CONTINUED



RESPONSE TO THE PANDEMIC

Despite the positive financial outcomes due to COVID-19, we are concerned for our members in these uncertain times and want to ensure that we are there for them. The pandemic has led us to develop programmes that are specific to supporting our members in the face of COVID-19 - such as offering flu vaccine to members and waiving co-payment for any COVID-19 related treatments. Relief was provided to member groups on a case by case basis in line with the Fund Rules.

Due to the pandemic, some of the projects that we had planned to undertake during the financial year had to be deferred. The Wellness and Chronic Disease Management Programme had to be put on hold due to travel and other restrictions, and the appointment of a Dental Health Risk Manager was postponed (it has since been effected post the reporting period).



HEALTH RISK MANAGEMENT

The Fund continues to be concerned about issues relating to fraud, waste, and abuse (FWA). We believe that there is an element of over servicing that happens with members' benefits, hence the introduction of various health risk management tools. The Health Funders Association of Botswana engaged with the Board of Healthcare Funders to utilise their web tool to look at patterns from all service providers in an effort to gauge the extent of over servicing. This collaborative effort has had the knock-on effect of bringing the various industry players together and working towards a common goal: to accurately ascertain the level of fraud, waste and abuse in Botswana's healthcare industry and to implement the necessary countermeasures.



THE WAY FORWARD

The healthcare industry is a complex one where inflation is always 2% to 3% above CPI. This discrepancy between national inflation and healthcare inflation poses a unique challenge to the Fund as we try to ensure that benefits are sustainable and are affordable to our members. The pressure is therefore on us to be innovative in how we purchase services from service providers in a cost-effective manner through negotiating favourable tariffs, particularly with certain key providers which will enable us to contract on value based outcomes of treatment offered rather than on the volume of interventions. In order to ensure the sustainability of the Fund, we are driving towards a value-based outcomes model where we, the health funder, and service providers to some degree share the risk. Digital solutions are also an important contributor to reduced costs, and the Fund is undergoing a digital transformation which will streamline processes and drive greater efficiencies.

This is our last strategy year of the 2016-2021 Strategic Plan, and the issues mentioned above will feature prominently as we begin to craft our strategy for the coming cycle. We are trying to prepare members for a necessary mindset change to ensure the sustainability of medical aids and any adjustments we make must make sense to members and service providers alike if there is going to be universal buy-in. The increase in private healthcare costs is driving some countries to consider a nationalised healthcare model, a model the Fund must anticipate by contracting forward to sustain itself into the future.

I would like to thank you, our members, who are the focus of all our endeavours and assure you that we will continue to deliver products and services of the highest quality. I would also like to take this opportunity to offer my gratitude to my team, the Board of Trustees and our partners for contributing towards the long-term sustainability of the Fund.

Dr. Khumoetsile Mapitse

Principal Officer,
Pula Medical Aid Fund

BOARD OF TRUSTEES' REPORT

SCOPE AND BOUNDARY

This report is for our members and covers the financial year from 1 July 2019 to 30 June 2020 ('the year'). The report outlines the performance of Pula Medical Aid Fund and explains the value we bring to our members. The report also touches on some events in the immediate post reporting period and some forward-looking information.

ABOUT US

PULA Medical Aid Fund "PULA" is a medical aid scheme established in terms of a resolution of the Board of Trustees of PULA dated 28th May 1991. It is a not-for-profit open medical aid scheme, registered as a Trust and regulated by the Non-Bank Financial Institutions Regulatory Authority ("NBFIRA"). Any member of the public can join subject to the Fund Rules. The Fund's purpose is to provide ease of access to affordable, equitable and high-quality healthcare to our members through innovation. The Fund belongs to its members and an independent

Board of Trustees oversees its activities. PULA outsources its administration, managed care and specialised health risk management. PULA has outsourced its administration and managed care to Associated Fund Administrators Botswana ("AFA") or "the Administrator(s)".

PULA is the second largest open medical scheme in Botswana covering 49 185 beneficiaries as at 30th June 2020. Our value proposition to our members is access to affordable quality healthcare as espoused in our key strategic priorities of smart product offerings, managing costs, and leveraging ICT. The Fund derives its income from member contributions and returns on investments. The Fund's entire income is used to fund claims and therefore in setting member contributions, the Fund tries to ensure that there is sufficient contribution income to pay all claims with a little surplus to add to reserves to cushion future unexpected cost increases. The income is also used to fund administration, health risk management and managed care costs.

Breakdown of expenses:



PULA BENEFIT OPTIONS

We offered the following benefit options to members during the year:

Table 1: Pula Benefit Options

Executive	The Executive Benefit Option provides a comprehensive cover of P2 Million per member/family per annum.
Deluxe	The Deluxe Benefit Option provides a comprehensive cover of P1.2 Million per member/family per annum.
Galaxy	The Galaxy Benefit Option provides a total of P100,000 per member/family per annum.
Standard	The Standard Benefit Option offers a total of P40,000 per member/family per annum.
Flexi	This Option offers a total of P60,000 flexible out-patient benefits per member/family per annum. This option does not have in-hospital benefits.

BOARD OF TRUSTEES' REPORT CONTINUED

Our Strategic Themes



Mission:

To Promote the Wellbeing and Health of our Members through Innovation



Vision:

To be your Premium Health Partner



Values:

Integrity, Transparency, Innovation and Compassion

To ensure the long-term sustainability of the Fund, The Board and Management of PULA annually take account of changes in the operating environment and members' needs to review the strategy. The current five-year strategy period ends in June 2021. The Board of Trustees reviewed the strategy in March 2020 and largely maintained the strategic priorities with the

inclusion of emerging challenges such as COVID-19. PULA strives to be the medical aid scheme of choice that provides members ease of access to affordable, high-quality healthcare while promoting preventative care and healthy lifestyles. The overarching goal is to optimise member value.

PILLAR 01	PILLAR 02	PILLAR 03	PILLAR 04	PILLAR 05
<p>Enhancing the PULA product offering</p> <p>To offer an innovative and competitive product range, which will support our growth and membership diversification strategy.</p>	<p>Intensifying our marketing</p> <p>Ensure our marketing is smart and targeted, in order to leverage on smart products to grow our market share, and ultimately our surplus performance. Despite the current economic difficulties, PULA membership continues on an upward trajectory.</p>	<p>Operational excellence</p> <p>Leverage on innovation and ICT to entrench operational excellence in our core administration, managed care and member relations, so as to be the best and most efficient at what we do.</p>	<p>Optimising returns from investments</p> <p>Ensure that the value of PULA reserves is not only preserved, but also that PULA members earn above market returns on their investments so as to ensure the long-term sustainability of the Fund.</p>	<p>Improving PULA Fund governance</p> <p>To subject PULA to the highest standards of governance and accountability, for the benefit of its members and participating employer groups.</p>

On the back of an economically challenging 2019/2020 financial year, the last quarter was characterised by the COVID-19 pandemic which is expected to worsen the state of the economy and may lead to job losses in the future. The Board of Trustees included the response to

COVID-19 as a strategic priority that needed immediate attention in the face of the pandemic to ensure that the health of members is prioritised while ensuring future sustainability of the Fund. The Fund's revised strategic priorities are as follows:

BOARD OF TRUSTEES' REPORT CONTINUED

1.	Leveraging ICT
2.	Enhancing product offering
3.	Growing market share
4.	Promoting the PULA Brand (including rebranding)
5.	Managing healthcare costs
6.	Combating fraud, waste and abuse (FWA)
7.	Capacitating the PULA office
8.	Responding to COVID-19
9.	Enhancing service delivery
10.	Ensuring strategic alignment with critical stakeholders

STAKEHOLDER ENGAGEMENT

The Fund relies on several stakeholders whose engagement seeks to achieve the best possible outcomes for our members. Majority of our stakeholder engagements are conducted through the Fund's Administrator and managed care provider, AFA.

OUR MEMBERS

The Fund exists for the primary purpose of enabling its members access to private healthcare of the highest quality. We engage our members through various fora. During the year, the PULA website was revamped to offer members a more interactive experience. Other media for stakeholder engagement were enhanced, including popular social media platforms such as WhatsApp for Business. Members have access to our contact centre (+267 365 0500) for any enquiries, and members may also contact the Principal Officer directly should the need arise. The Fund regularly communicates with members through SMS, e-mail and social media platforms.

ASSOCIATED FUND ADMINISTRATORS (AFA)

AFA is the leading administrator and managed care provider for medical aid schemes in Botswana. AFA provides scheme administration and managed care services for the Fund and their performance is monitored through a Service Level Agreement. There are regular monthly operational meetings between

AFA and the Fund office as well as quarterly meetings with the Board of Trustees and sub-Committees. AFA provides the Fund with a Pharmaceutical Benefit Management (PBM) service where they negotiate better tariffs for medicines in keeping with the Fund's aim of managing long-term affordability of contributions for our members in the face of high healthcare inflation.

REGULATORY BODIES

The Fund is regulated by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA). The Fund maintains a collaborative working relationship with NBFIRA to ensure that compliance requirements are met. The regulations governing medical aid schemes have not yet been promulgated but nevertheless, PULA continues to adopt industry best practice.

HEALTHCARE PROVIDERS AND PROFESSIONAL SOCIETIES

Healthcare service providers are among our most important stakeholders. We continue to engage with health professionals and their professional societies to ensure their participation in decisions that optimise outcomes for all parties - the members, the healthcare providers and the Fund. During the 2019/20 financial year these engagements were hampered by COVID-19 restrictions in the third and fourth quarters. The Fund has since migrated to online engagements with stakeholders.

BOARD OF TRUSTEES' REPORT CONTINUED

EMPLOYER GROUPS

Majority of PULA members are part of employer groups. The Fund, through the Administrator, regularly schedules meetings with employers to maintain good relations and to better understand employer and employee healthcare needs. Engagements planned for the second half of the year were affected by the emergence of COVID-19 in early 2020.

ASSET MANAGERS AND INVESTMENT CONSULTANTS

Botswana Insurance Fund Management (BIFM) is the Fund's asset manager and Malaczynski Burn Risk Management (MB-RISK) is the Fund's investment consultant. The Board of Trustees approved an Investment Strategy that optimises the return on investments and targets a real return of CPI + 3%. The revised investment portfolio is appropriately diversified, in line with the PULA Investment Policy Document whilst ensuring that there is sufficient liquidity within the asset allocation to meet claims and other liabilities as they fall due. While it has been a challenging period for the local and global markets, the Board of Trustees believes that in the long term, the revised strategy will achieve the desired results.

ACTUARIAL SERVICES

Insight Actuaries and Consultants are engaged to provide actuarial services to the Fund. The actuaries interact with the Administrator and the Fund office on an on-going basis and attend all scheduled quarterly Board meetings. Since the onset of the COVID-19 pandemic, the actuaries have been instrumental in providing modelling and insight on the disease for the Fund to better plan around the pandemic.

HEALTH RISK MANAGERS

In certain specialised clinical disciplines, the Fund and the Administrator may not have the necessary skills to adjudicate claims and monitor waste, abuse and potential fraud to the extent that specialised health risk managers are able to adjudicate such claims. In such instances the risk is transferred to such organisations with a view to protect the scheme's funds. The following health risk managers were appointed by the Fund to provide various specialised health risk management services:

- **Verimed Health Group** – provides radiology and pathology benefit management.
- **Preferred Provider Network (PPN) Optimum** – provides optical benefit management. However, this service contract was terminated in October 2020 and the service is now provided by AFA.
- **Emergency Assist 991** – provides emergency medical services.
- **SHS Botswana** – appointed post the reporting period in September 2020 to offer dental risk management.

AUDIT SERVICES

Deloitte & Touche was appointed as the Fund's external auditors at the 2019 AGM. During the period under review, Grant Thornton was appointed to provide internal audit services to test the Fund's internal controls.

SUMMARY OF PULA HEALTH PERFORMANCE

The primary role of the Fund is to facilitate access to private healthcare services for its beneficiaries and assist them in defraying the cost of such services.

Table 3 below outlines indicators of key healthcare services in PULA's health balance sheet.

Type of healthcare service	Fin Year 2017/18	Fin Year 2018/19	Fin Year 2019/20	Comment
Number of GP & Specialist visits	194 220	183 340	172 977	The visits reduced by 6%, primarily as a result of COVID-19 regulations which restricted movement and generally limiting or avoiding the exposure to the virus by members. The Fund however continued to provide uninterrupted access to general and specialist medical care during the year under review.
Number of hospital admissions	3 557	4 055	3 656	Hospital admissions reduced by 9.8%, due to the same reasons stated above. The postponement of elective surgical procedures also attributed to this reduction. However, hospitals were able to attend to and admit beneficiaries with emergency medical conditions during this period.

BOARD OF TRUSTEES' REPORT CONTINUED

Type of healthcare service	Fin Year 2017/18	Fin Year 2018/19	Fin Year 2019/20	Comment
Number of beneficiaries on ART	2 511	2 513	2 539	Beneficiaries enrolled in the program have stabilised around this figure.
Number of beneficiaries registered on the chronic medicine benefit	3 334	3 695	3 877	A 4.9% net increase was recorded between 2018/19 and 2019/20. This increase is due to new beneficiaries and members who were enrolled into the chronic medicine benefit.
Number of births	523	473	543	A 14.8% increase in births was registered between 2018/19 and 2019/20. The Fund enhanced the maternity benefit during the year under review with a view to promote normal delivery. The proportion of Caesarean section deliveries compared to normal deliveries far exceeds national and international norms. The Fund continues to encourage expectant families to enrol on the PULA Maternity Program, Pula Baby.
Chronic Disease Ratio (NCD)	7.58%	7.72%	7.81%	The chronic disease ratio has remained fairly stable. The introduction of a Wellness and Chronic Disease Program should improve the health of the membership and keep these numbers low.
Average Mortality Rate (deaths as % of total lives covered)	0.03%	0.02%	0.01%	A slight reduction in the mortality rate was observed. The Fund provides funeral benefits based on benefit options selected by members.
Average Contribution per Beneficiary per Month	558.26	576.84	609.18	An increase of 5.6% was experienced as a result of contribution increases, growth of membership and family size.
Average Claims Cost per Beneficiary per Month	469.75	471.61	455.75	A decrease of 3.36% is due to the COVID-19 lockdown and other risk management interventions implemented during the year.

Members and dependants with chronic conditions are encouraged to register on the chronic medicine benefit program to ensure that their health is monitored, and their benefits managed sustainably. The number of beneficiaries on this program has remained stable over the last financial year. The Fund is working on introducing a Wellness and Chronic Disease Management program to mitigate the increasing burden of non-communicable diseases. The HIV/AIDS program has been performing well in terms of both enrolment and outcomes.

During the year, the Fund registered additional healthcare service providers, including hospitals. However, there were fewer hospital admissions compared to the prior year, primarily due to the restrictions imposed by COVID-19 regulations. The average cost per claim per beneficiary also decreased during the period for the same reason.

MEMBERSHIP

The Fund achieved membership growth of 5.1%, comparing favourably with 1.5% growth the year before. The Fund continues to offer high value benefits and to attract younger lives which is beneficial for the future health of the Fund. As at 30th June 2020, the Fund registered 20 229 principal members and 49 185 total lives covered.

INVESTMENT STRATEGY

One of the duties of the Board of Trustees is to invest the Fund's assets in a responsible and prudent manner. Pursuant to this objective, PULA developed an Investment Policy Document (IPD), whose objective is to:

- Provide returns on investments that will yield at least CPI+3% over a three-year rolling cycle.
- Position the Fund's investments to achieve incremental cash contribution for the Fund.
- Anchor the solvency of the Fund by increasingly contributing to Fund reserves.

BOARD OF TRUSTEES' REPORT CONTINUED

The Fund's financial assets at fair value, as at the year ended 30 June 2020, compared to the prior year are tabulated in table 4:

Table 4: Financial Assets at Fair Value June 2020 compared to June 2019

Description	Fair Value Holdings as at June 2019 (BWP)	Fair Value Holdings as at June 2020 (BWP)
Money Market and Term Deposits	27,958,058	37,972,459
Domestic Bonds	7,096,584	13,146,138
Domestic Listed Equities	51,956,286	52,844,372
Total Assets	87,010,928	103,962,970

The period under review was a challenging year for the investment market, however, BIFM continued to perform better than the benchmark despite not realising the targeted returns of CPI +3% due to subdued markets. The total investment income for the year stood at P4.99M compared to P4.98M the previous year. The fair value loss on financial assets at

fair value through profit or loss is P2.14M compared to P3.28M the prior year.

SUMMARY OF FINANCIAL PERFORMANCE

The table below summarises PULA's key financial indicators for 2019/2020:

Table 5: PULA Key Financial Indicators 2019/20 compared with 2018/19

	2018/2019 (BWP)	2019/2020 (BWP)	Change
Risk Contribution Income	316,188,465	359,552,089	13.71%
Incurred Claims & other benefits	283,062,985	268,993,151	-4.97%
Administrative Expenses	32,430,784	37,294,189	15.00%
Net Surplus	2,291,643	58,655,608	2459.54%
Solvency	30.20%	43.00%	42.38%
Net Asset Value	95,367,818	154,023,426	61.50%

INCOME/REVENUE

The increase in contribution income was largely driven by premium adjustments and the more than expected 5% increase in membership attained during the financial year. The favourable demographics of new members also had a positive effect on contributions and claims costs.

person-to-person interaction, utilisation of health services decreased drastically during the second half of the year, especially the fourth quarter, leading to much lower claims. The claims ratio at the end of the year was 72%, a significant decrease from 87.3% the prior year. Elective surgical procedures were deferred as a result of the pandemic and these were expected to rise once restrictions eased.

CLAIMS COST

Member contributions are used to pay for services received by members. The Fund sets a target for a desired claims ratio that ensures members receive high quality healthcare services while ensuring sustainability of the Fund. Due to COVID-19 regulations, which restricted movement of people and curbed

The risk of claims cost for the Fund arises from the risk relating to healthcare provider costs, and this risk relates to the health of PULA members. The Fund manages claims cost risk through benefit limits and sub-limits, and approval procedures for benefit transactions that involve:

BOARD OF TRUSTEES' REPORT CONTINUED

- Pricing guidelines
- Pre-authorisation
- Case management
- The monitoring of emerging clinical and claim risks
- Analysis and profiling of clinical service providers
- Monitoring fraud, waste and abuse.

ADMINISTRATIVE EXPENSES

Administrative expenses are those expenses that support the management of the Fund, enabling beneficiaries to receive high quality healthcare services while ensuring long-term sustainability. Non-Health Care Costs (NHCC) closed the year at P37.3M which is 10.4% of general contribution income compared to 10.3% in the prior year. The NHCC are retainer based and dependent on the size of the membership, and despite the 5% increase in membership, the proportion of costs has remained largely unchanged.

CHALLENGES

COVID-19

The COVID-19 pandemic presented the biggest challenge to the Fund in the second half of the year. The economic and social impact on the public was significant, with a state of public emergency instituted from early April 2020. The restrictions which were placed on society to reduce movement and limit the spread of the virus meant that access to healthcare services for our members was reduced. The uncertainties around the pandemic and continuing economic hardships threatened to impact our membership due to affordability and job losses. At the Fund's strategy session, the Board of Trustees prioritised COVID-19 as a strategic imperative. The Fund assures its members that it is ready to respond to COVID-19 through its already comprehensive benefit offering.

FRAUD, WASTE & ABUSE

PULA employs health risk managers to mitigate fraud, waste and abuse (FWA) while ensuring that service providers follow best practice clinical protocols. The Fund also actively profiles and scrutinises service provider claims activity and patterns to identify areas suggestive of FWA. Post the reporting period PULA engaged a dental risk manager to further enhance

risk management. Apart from working on strategies to reduce FWA, the Board of Trustees would like to remind members to be prudent with their medical aid benefits and ensure that all service provider invoices are checked for services actually provided before signing them off.

PULA operates on the principle of social solidarity, where we pool our resources together for the common good of making quality private healthcare accessible to all of us. It is therefore important to selflessly guard and protect our medical aid against anything that will adversely affect it. We implore all our members to educate themselves on their chosen benefit options & associated conditions, to interrogate the value they are getting from the services rendered by service providers and to question anything that is not clear and to report to the Fund any suspicious activities.

NON-COMMUNICABLE DISEASES

Non-communicable diseases are on the rise, and we advise our members to adopt healthy lifestyles by exercising regularly and lead healthier and fulfilling lives.

OUTLOOK

Despite COVID-19 crippling economies around the world, we remain optimistic that the future of the Fund is bright. PULA will be turning 30 years old in 2021 and the brand will be getting a face-lift. We will be keeping you informed on these exciting developments.

APPRECIATION

The Fund would like to express its sincere gratitude and appreciation to its members, service providers, staff and all stakeholders for their loyalty and continued support.



GOVERNANCE REPORT

In terms of Rule 25.1 of the Fund Rules, the affairs of the Fund shall be managed in accordance with the Fund Rules by a Board of Trustees consisting of a maximum of ten (10) and minimum of five (5) Trustees. At the 2019 AGM, the Fund adopted the King IV™ Code and the composition of the Board of Trustees became six (6) independents and four (4) employer group representatives in line with the governance standard. The term of office shall be limited to five (5) years with a possibility of renewal at each Annual General Meeting, provided that no person shall serve on the Board for more than ten (10) years.

The Board comprises highly skilled professionals with diverse skills and experience to ensure robust oversight for the Fund. Our Trustees have expertise in areas of law, human resources, actuarial science, finance, investment, ICT and governance, amongst others.

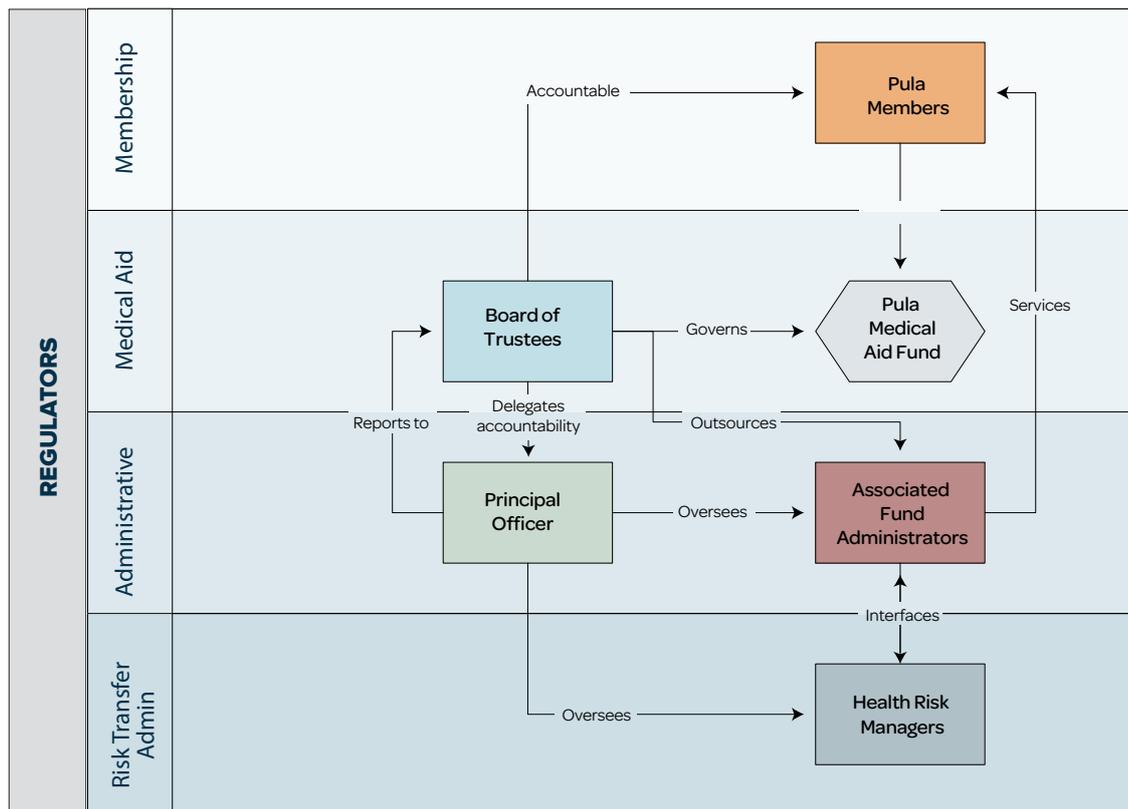
The Board of Trustees is responsible for the oversight of the Fund and is responsible for the development and implementation of the Fund's strategy, risk assessment, internal controls, financial and operational management to ensure sound management of the Fund's business and that the Fund's obligations to members are understood

and observed. Trustees are accountable to members of the Fund. To this end, the Board of Trustees conducts annual Board Assessments to assess and report on the Board's overall effectiveness and to review alignment of function among individual Trustees, benchmarking against international best practices.

The Board of Trustees operates in terms of a Board Charter, which is reviewed annually. The Board Charter stipulates the responsibilities to be discharged by Trustees collectively and individually to ensure that sound corporate governance principles are applied in all dealings undertaken by the Fund's Trustees.

Corporate Governance remains a priority focus area for PULA. The Board of Trustees, at all times, ensures that the affairs of the Fund are managed in accordance with the highest standards of governance for the benefit of members and participating employer groups, hence the adoption of the King IV™ Code at the 2019 Annual General Meeting. The Board of Trustees anticipate implementing integrated reporting in 2021, marking the end of its five (5) year strategy.

OUR GOVERNANCE STRUCTURE



GOVERNANCE REPORT CONTINUED

OUR TRUSTEES

CHAIRMAN



MALEHO MOTHIBATSELA

DATE OF FIRST APPOINTMENT – AUGUST 2011

Mr. Mothibatsela is a professional with a career spanning 23 years in investment management. His career commenced as a fixed income & equity analyst at Fleming Asset Management and he was subsequently seconded to Robert Fleming, UK. He later progressed to JP Morgan Europe, discharging sector analytical and investment coverage for banking, mining and industrial sectors within EMEA. He then joined the Imara Group, serving in various capacities including Asset Management CEO, Country Head and Board Director at group level. He also co-managed Imara's Flagship Fund, the Imara African Opportunities Fund from inception to 2007.

He has served in various fiduciary capacities including as an Investment Committee member at Fleming and as maiden Chairman of the Investment Committee of the Botswana Public Officers Medical Aid Scheme (BPOMAS), amongst others. Mr. Mothibatsela is Director and Chief Investment Officer at BlackThread Capital.

DEPUTY CHAIRMAN



DR BAKANI THIPE

DATE OF FIRST APPOINTMENT – JUNE 2011

Dr. Thipe is a General Practitioner with over 21 years of medical practice. He has a bachelor's degree in Medicine and Surgery (MBChB) from the University of Manchester, United Kingdom and a Master's in Business Administration (MBA) from the University of North West, South Africa. He has worked for both Debswana Hospitals (Orapa and Jwaneng) as Medical Officer and Senior Medical Officer respectively. He has also worked at Tati Nickel Mine Company as Head of Health Services. Currently, Dr Thipe operates a private medical practice.

TRUSTEE



OTENG SEBONEGO

DATE OF FIRST APPOINTMENT – DECEMBER 2011

Mr. Sebonego holds a BA (cum laude) in Actuarial Science from the University of Hartford and an MBA from the Kellogg School of Management. He has broad experience in private equity, financial services and technology across Africa. His earlier experience was with Fortune 500 companies, GE and Aetna, based in the United States. He was previously a Managing Director of O&E Consulting, where he was responsible for the business development and execution of mostly acquisition related mandates across Africa. Mr. Sebonego is currently an Investment Director at Norsad Finance.

TRUSTEE



GEOFFREY MAHLAKA

DATE OF FIRST APPOINTMENT – JULY 2013

Mr. Mahlaka is a qualified attorney and a Fellow Member of the International Academy of Business & Financial Management and the Insurance Institute of South Africa. He is certified in Risk Management, Compliance, Anti-Money Laundering Prevention, Compliance Management, Corporate and Board Governance, Internal Audit Processes, Contract Management and Short-Term Insurance.

Mr. Mahlaka has over 16 years' experience obtained in various sectors ranging from banking parastatals to mining and mining investment. He previously served on the board of Botswana Environmental Assessment Practitioners Association as a member and legal advisor. Mr. Mahlaka has also served as a Trustee and Chairman of the Botswana Ash Pension Fund.

Mr. Mahlaka is currently the Corporate Secretary of Minerals Development Company Botswana (Pty) Ltd (MDCB), a position he has held since 2016.

GOVERNANCE REPORT CONTINUED

TRUSTEE



ANTHONY MASUNGA

DATE OF FIRST APPOINTMENT – MAY 2016

Mr. Masunga holds a BSc Computer Science from McGill University (Canada) and an MBA from De Montfort University (UK). He is an Alumnus of the University of Stellenbosch Business School, having completed their Executive Development Programme.

He was previously the Chief Operating Officer at BTC and is the founding General Manager of beMOBILE (now BTC Mobile). He has worked for Mascom as Chief Technical Officer and has over 20 years' experience in the field of Telecommunications and Information Technology. He is currently the Managing Director of BTC Limited.

TRUSTEE



LEAWETSA MEYER

DATE OF FIRST APPOINTMENT – FEBRUARY 2019

Ms. Meyer has over 22 years of nursing experience, 14 of which have been in management. She holds a Diploma in Registered Nursing (Institute of Health Sciences, Molepolole), a BSc with Honours in Neonatal Care (Leeds University, UK) and is currently pursuing her MBA through the University of Botswana. She worked in a teaching hospital in the United Kingdom for seven years where she gained extensive experience in clinical management. She is an experienced and astute nursing leader in the private health care sector. She brings on board her skills in the areas of strategic planning, operations management and critical thinking. Ms. Meyer is currently employed as Deputy Nursing Manager at Lenmed Health Bokamoso Private Hospital.

TRUSTEE



KUSHATHA MOSWELA

DATE OF FIRST APPOINTMENT – JULY 2019

Ms. Kushatha Moswela is the Managing Director of Old Mutual Short-Term Insurance Botswana, a position she has held since July 2016. Prior to that she was the COO of Old Mutual Botswana, during which period she started Old Mutual Botswana Life Insurance operations in Botswana. She has a proven and impressive track record on good leadership and exceptional business performance delivery.

She is an actuarial professional who holds an MSc in Actuarial Science and is a CFA level 2 candidate. Ms. Moswela has over 14 years' working experience in the fields of actuarial, capital and risk management. She has held various roles from Managing Director, COO, Executive Assistant to Old Mutual South Africa CEO and Senior Actuarial Specialist. She has worked in South Africa, UK and Botswana.

Ms. Moswela is the previous Chairperson of Botswana Short Term Insurance Underwriters Association (BISTUA) and is currently a Non-Executive Director for Seedco International Limited.

TRUSTEE



ISHMAEL DIPHOLO

DATE OF FIRST APPOINTMENT – JULY 2019

Mr. Dipholo holds a Bachelor of Arts Degree in Social Sciences (Economics and Accounting) and a master's in business administration (MBA), both from the University of Botswana. He is a well-rounded business executive with over 21 years' experience in human resources management, business development, operations management and business strategy. He is currently employed by the Botswana Accountancy College as Head of Human Resources. He has previously worked for Boitekanelo College as Director Human Capital, the Botswana National Sports Commission (BNSC) as Human Resources and Administration Director and prior to that he held the role of Human Resources Director and Lead Consultant with Clearwater Consultants. He has also worked with G4S (Botswana) Limited as a Human Resources Director, Regional Manager and Business Development Analyst. Prior to that he was employed by Air Botswana as a Commercial Planning Analyst.

GOVERNANCE REPORT CONTINUED



NAIKO CAROL RALEBALA

DATE OF FIRST APPOINTMENT – JULY 2019

Ms. Naiko Carol Ralebala is a Senior Finance Manager at Debswana Corporate Centre in Gaborone. She has over 20 years' experience in the finance field, which include external auditing, internal auditing, financial accounting, business performance analysis, budgeting and forecasting.

Prior to joining Debswana in 2007, Ms. Ralebala, was a Business Finance Manager at Standard Chartered Bank, serving in Botswana and the United Arab Emirates (UAE). She started her accounting career as an auditor with PriceWaterhouse Coopers.

Ms. Ralebala is a member of the Association of Chartered Certified Accountants (ACCA) and Botswana Institute of Chartered Accountants (BICA). She also holds an MSc in Leadership and Change from Leeds Metropolitan University. Mrs. Ralebala has completed the Global Executive Development Programme from Gordon Institute of Business Science.

BOARD COMPOSITION AND ATTENDANCE

BOARD ATTENDANCE

During the period under review, the Board was supported by six (6) Board Committees in accordance with the Fund Rules. The Board of Trustees meets on a prescribed regular basis to consider the financial and operational performance of the Fund. The

Board Committees are constituted according to the needs of the Fund to assist the Board in fulfilling its fiduciary duties effectively. The Committees make recommendations to the Board for approval of matters deliberated on. Special meetings of the Board are also called to consider special items such as budget, audit results, on-going projects and particularly during this period, COVID-19.

Table 1: Board Attendance

Name	Designation	Board	Special Board	Finance and Audit	Risk and Compliance	Investment	Remuneration and Nominations	Procurement	Special Ethics & Disputes Committee	Steering Committee	Annual General Meeting	Strategy Review Session
Maleho Mothibatsela	Chairman	4/4	7/7	8/8		6/6			1/1	1/1	1/1	3/3
Bakani Thipe	Deputy Chairman	4/4	7/7		5/5			3/3	1/1	1/1	1/1	3/3
Oteng Sebonego	Trustee	3/4	5/7	7/8		1/6				0/1	1/1	0/3
Geoffrey Mahlaka	Trustee	4/4	7/7		5/5		8/8				1/1	3/3
Anthony Masunga	Trustee	3/4	6/7		4/5					0/1	1/1	0/3
Leawetsa Meyer	Trustee	4/4	7/7				7/8		0/1		1/1	3/3
Naiko Carol Ralebala	Trustee	3/4	6/7	7/8				3/3			1/1	0/3
Kushatha Moswela	Trustee	4/4	7/7		4/5	5/6			1/1		1/1	3/3
Priyalal De Silva	Trustee	3/4	5/7	8/8							1/1	3/3
Ishmael Dipholo	Trustee	4/4	6/7			5/6	7/8	2/3			1/1	0/3
Grace Siamisang*	Trustee						1/8					

*Resigned in October 2019

GOVERNANCE REPORT CONTINUED

Board - There were four (4) scheduled Board meetings. A further seven (7) special board meetings were held to discuss the FY2020/21 Budget, COVID-19 impact, recruitment interviews and the consideration of the Audited Financials.

Remuneration and Nominations Committee – There were four (4) scheduled meetings. Four (4) additional meetings were held for recruitment purposes, and to discuss HR policies.

Finance and Audit Committee – There were four (4) scheduled meetings. An additional four (4) meetings were held for FY 2020/21 Budget Consideration, COVID-19 discussions, Audit Planning, External Audit Closure and consideration of Audited Financial Statements.

Investment Committee – There were four (4) scheduled meetings. Two (2) additional meetings

were held to discuss the Investment Policy Document (IPD) and a Workshop for the Investment Committee on the implementation of the IPD.

Risk and Compliance Committee – There were four (4) scheduled meetings. One workshop was held to review the Fund’s risk register.

BOARD COMPOSITION

The following are the Fund’s Board sub-Committees for FY2019/20:

- Finance & Audit Committee (FAC)
- Risk & Compliance Committee (RAC)
- Remuneration & Nominations Committee (RemNom)
- Procurement & Asset Disposal Committee
- Investment Committee (IC)
- Disputes & Ethics Committee

FINANCE AND AUDIT COMMITTEE

The Finance & Audit Committee performs a key oversight role by safeguarding the integrity of the Fund’s finance management function, financial reporting and the internal control environment. The Committee meets quarterly.

Members of the Committee are as follows:

Priyalal De Silva	Committee Chairman
Oteng Sebonego	Trustee
Naiko Carol Ralebala	Trustee

INVESTMENT COMMITTEE

The Investment Committee meets every quarter and is mandated to review and maintain oversight of the Fund’s investments, their performance, and the performance of investment managers and consultants.

Members of the Committee are as follows:

Kushatha Moswela	Committee Chairman
Ishmael Dipholo	Trustee
Maleho Mothibatsela	Trustee

RISK AND COMPLIANCE COMMITTEE

The Risk & Compliance Committee meets quarterly, and is mandated to monitor the Fund’s financial, clinical and operational risks, and to implement appropriate risk management strategies and measures. Additionally, the Committee advises the Board on compliance and legal matters.

Members of the Committee are as follows:

Geoffrey Mahlaka	Committee Chairman
Bakani Thipe	Trustee
Kushatha Moswela	Trustee
Anthony Masunga	Trustee

GOVERNANCE REPORT CONTINUED

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration & Nominations Committee meets on a quarterly basis to review remuneration of both PULA officials and of the Board of Trustees. Additionally, the Committee is mandated to recommend nominations to the Board when there are Board or Committee vacancies.

Members of the Committee are as follows:

Ishmael Dipholo	Committee Chairman
Geoffrey Mahlaka	Trustee
Leawetsa Meyer	Trustee

PROCUREMENT & ASSET DISPOSAL COMMITTEE

The Procurement & Asset Disposal Committee meets on an ad hoc basis with a mandate to provide oversight over all procurement and asset disposal issues and to provide recommendations on which third party entities may be engaged to provide services to the Fund.

Members of the Committee are as follows:

Naiko Carol Ralebala	Committee Chairman
Bakani Thipe	Trustee
Ishmael Dipholo	Trustee

DISPUTES & ETHICS COMMITTEE

The Committee meets on an ad hoc basis with a mandate to assist the Board in discharging its responsibilities in respect of ethics and to deal with disputes declared by members against the Fund. The Committee monitors the following areas in the Fund:

- a) Social Corporate Citizenship
- b) Ethics
- c) Environment, health and public safety with specific reference to the impact of the Fund's activities, its products and services on the environment, health and public safety
- d) Consumer relationships with specific reference to advertising practices of the Fund and the Fund's public relations.

Members of the Committee are as follows:

Bakani Thipe	Committee Chairman
Maleho Mothibatsela	Trustee
Kushatha Moswela	Trustee
Leawetsa Meyer	Trustee

TRUSTEES FEES FOR FY 2019/2020

The fees payable to Trustees are based on a per meeting attendance fee structure, which is set as per Table 2.

Table 2: Trustees' Attendance Fees

	2019/2020
Chairman	P7 500.00 per meeting
Other Trustees	P6 500.00 per meeting

GOVERNANCE REPORT CONTINUED

In addition to fees paid for meetings as per attendance in Table 2 above, Trustees are paid fees in relation to other Board activities, such as the strategy review session, and Trustee development. Furthermore, additional expenses are incurred for Trustee business travel, accommodation and food in relation to the various activities or events cited above. A total of

P1.56M was recorded for Trustee remuneration and expenses during the year under review of which P1.27M was Board sitting remuneration and P272K was additional Trustee related expenses.

Table 3 provides a breakdown of the Trustees' fees during the period under review.

Table 3: Trustees' Remuneration

Name	Board Sitting Remuneration BWP	Other Board Assignments Remuneration BWP	Total BWP
Maleho Mothibatsela	188,500	95,500	284,000
Bakani Thipe	178,500	97,500	276,000
Geoffrey Mahlaka	157,500	45,500	203,000
Leawetsa Meyer	123,500	13,000	136,500
Oteng Sebonego	71,500	13,000	84,500
Anthony Masunga	78,000	-	78,000
Naiko Carol Ralebala	86,500	-	86,500
Ishmael Dipholo	126,500	-	126,500
Priyalal De Silva	117,500	13,000	130,500
Kushatha Moswela	140,500	13,000	153,500
Grace Siamisang	7,500	-	7,500
Total	1,276,000	290,500	1,566,500

BOARD SECRETARY

During the year under review, Board secretariat services were provided by the Fund's Corporate Secretary, Ms. Nomsa L. Otsogile. All Trustees have unlimited access to the advice and services of the Corporate Secretary, who is accountable to the Board for ensuring that all prescribed procedures are complied with, and that sound corporate governance and ethical principles are adhered to by Trustees.

REGULATORY COMPLIANCE DEVELOPMENTS

- In the period under review, the Fund had no extraordinary issues to report to regulators such as the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and others. The Fund was fully compliant with all relevant regulatory requirements during the period under review.
- The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) Act of 2008 provides for the regulation and supervision of Medical Aids by NBFIRA. Regulations for medical aids are pending drafting and promulgation by Parliament.
- The Fund is registered as a Trust and the laws regulating Trusts were changed in 2018 following the introduction of the Trust Property Control Act which required that all Trusts lodge a trust instrument in terms of which the Trust is governed with the Master

of the High Court before 31st December 2020. In compliance with the requirements under the Trust Property Control Act, the Fund has lodged its trust instrument with the Master's office.

- The Financial Intelligence (Amendment) Act (FI Act) and Regulations were enacted for the primary purpose of combatting money laundering, terrorism financing and proliferation as well as other related activities. The FI Act and Regulations were amended in 2019 to widen obligations for specified parties, introduced stringent penalties for non-compliance and broadened certain definitions such as "suspicious transaction" and "prominent & influential persons", inter alia. Specified Parties as defined by the FI Act include all entities regulated by the Non-Bank Financial Institutions Regulatory Authority – Pula Medical Aid Fund being one of them.
- As part of the national strategy to combat anti-money laundering, terrorism financing and proliferation, the Fund has appointed an AML/CFT Officer who received a favourable vetting result from NBFIRA. The Fund has also conducted its institutional risk assessment to better understand its risk and determine the level of risk control measures against AML/CFT to be implemented. To this end, the Fund's Board of Trustees has approved the AML/CFT policies, internal procedures and rules.

GOVERNANCE REPORT CONTINUED

REQUESTED RESOLUTIONS

1. APPOINTMENT OR RE-APPOINTMENT OF TRUSTEES OF THE FUND (ORDINARY RESOLUTION NO.3a)

In making Board appointments, the broad principles that are followed are to maintain an independent and vibrant Board that constructively challenges Management's strategies and evaluates performance against agreed benchmarks and applicable codes of conduct. In terms of the recommended practice No.8 in Principle 7 of King IV™ "The governing body should comprise a majority of non-executive members, most of whom should be independent." It is against this principle that the Board reviewed its required mix of skills and experience and resolved that, following the resignation of Ms. Grace Siamisang in October 2019, the independent professional who was brought on board in 2019 to chair the Finance & Audit Committee be appointed as an Independent Trustee. This appointment brings the requisite number of Trustees to six (6) Independent Trustees and four (4) employer group representatives.



Mr. Ranjith Priyalal De Silva

Mr. De Silva is a Chartered Accountant whose expertise covers auditing, accounting, tax planning, financial investigations and fiscal management. Now retired, he has over 36 years' experience in the profession, mainly spent at PricewaterhouseCoopers (PwC) Botswana, where he was a partner for 19 years and Chief Operating Officer for 9 years. While still with PwC Botswana, he served a large portfolio of audit/tax clients and provided business advisory services to many large privately-owned corporates in Botswana.

Mr. De Silva is an Independent Non-Executive Director for three Old Mutual subsidiaries in Botswana and Debt Participation Capital Funding Limited. He is also a Board Member at BTC Limited. He is a member of numerous professional bodies including Associate Member of the Chartered Institute of Management Accountants (CIMA) of UK and Fellow Member of the Botswana Institute of Chartered Accountants (BICA) and the Institute of Chartered Accountants of Sri Lanka.

REQUESTED RESOLUTION

Following a favourable vetting from the Regulator, the Non-Bank Financial Institutions Regulatory Authority (NBFIRA), it is RESOLVED that the Annual General Meeting hereby ratifies and confirms Mr. Ranjith Priyalal De Silva's appointment as a an Independent Trustee of the Board in compliance with the principles espoused under King IV™.

2. TO CONFIRM THE RE-ELECTION OF TRUSTEES WHO RETIRE BY ROTATION IN TERMS OF THE RULES OF THE FUND (ORDINARY RESOLUTION NO.3b)

None of the other Trustees are at the end of their terms and consequently there are no recommendations for renewals or re-appointments at the 2020 Annual General Meeting, therefore no resolution is sought from the AGM.

3. APPROVAL OF THE REMUNERATION PAID TO TRUSTEES FOR FINANCIAL YEAR 2019 /2020 (ORDINARY RESOLUTION NO. 4a)

For the AGM to approve the amount of P1,566,500 paid to Trustees for the year ended 30 June 2020.

REQUESTED RESOLUTION

The amount of P1,566,500 paid to the Trustees during FY2019/2020 is hereby APPROVED by the Annual General Meeting.

4. REMUNERATION STRUCTURE OF TRUSTEES FOR FINANCIAL YEAR 2020 /2021 (ORDINARY RESOLUTION NO. 4b)

The Board from time to time compares the fees paid to the Trustees to industry benchmarks. The current Trustees fees are as follows:

	2019/2020
Chairman of the Board or Committee	P7 500.00 per meeting
Other Trustees	P6 500.00 per meeting

In order to avoid conflict of interest in determining their own fees and pay structure, the Board Remunerations & Nomination Committee requested that executive management (through independent advice) recommend a fee structure to be adopted for FY 2020/21. Management conducted a market survey and made a recommendation to the Board of Trustees which the Board approved subject to third party validation. Pricewaterhouse Coopers (PwC) was then engaged to conduct a benchmark study of board sitting allowances of entities comparable to the Fund in order to determine if the recommendation approved by the Board of Trustees was within an acceptable fee range.

GOVERNANCE REPORT CONTINUED

PwC submitted that based on the benchmark exercise they performed, Pula Medical Aid Fund's fee structure was found to be relatively low compared to market norms. PwC observed that companies gradually align their Board fees between the 25th percentile and the market median (50th percentile) and then progressively increase the fees over a period of 3-5 years to align to the market median. The consultant submitted that the Fund's current fees were far below the 25th percentile.

PwC reported that the following fee structures generally exist in the market:

- A retainer fee plus an attendance fee per meeting
- A retainer fee plus an additional fee for special meetings scheduled. This will constitute an all-inclusive fee for each Trustee irrespective of the number of meetings attended during the year except for the special meetings which will have a fixed fee per meeting. A special meeting that qualifies for additional fees should be clearly defined by the Fund. The duration of a special meeting should be at least 2 hours and be accompanied by an agenda and supporting documentation; or
- A retainer fee only. This will constitute an all-inclusive fee for each Trustee irrespective of the number of meetings attended during the year.

PwC concluded by stating that the proposed Trustees fees were aligned to the general market practice.

RECOMMENDATION TO THE ANNUAL GENERAL MEETING

Factors that influence the fees of Non-Executive Directors (Trustees) include level of responsibility, level of competence, time commitment (in attendance and preparation) as well as the contribution and profile of each Trustee.

Unlike closed schemes, the Fund's Trustees must have competitive remuneration rates in order to attract a higher calibre of trustees due to the complexities and risks that come with providing oversight to an open scheme. The role of Trustees has become increasingly onerous from a risk perspective since Trustees can be held personally liable for their actions. In complex environments such as medical schemes, the existence of risk cannot be understated. Therefore, it is important that remuneration takes into account the level of risks assumed by Trustees in fulfilling their responsibilities.

Based on the benchmarking exercises conducted both by management and PwC, the following fees are recommended for approval by the Annual General Meeting effective 1st July 2020:

	BWP
Annual Retainer (paid to Trustees in two halves)	50 000
Trustees (per sitting)	7 500
Chairman of the Board (per sitting)	15 000

REQUESTED RESOLUTION

a) It is hereby **RESOLVED** that Trustees fees be approved as follows:

	Current fees (BWP)	Proposed fees (BWP)
Annual Retainer (paid to Trustees in two halves)	-	50 000
Trustees (per sitting)	6 500	7 500
Chairman of the Board (per sitting)	7 500	15 000

5. REMUNERATION OF EXTERNAL AUDITORS (ORDINARY RESOLUTION NO. 5)

During the period under review, the external auditors, Deloitte & Touche were paid P421,767.36 for the FY 2019/20 audit.

REQUESTED RESOLUTION

It is hereby **RESOLVED** that fees paid to the Fund's external auditors amounting to P421,767.36 for the FY 2019/20 external audit are hereby ratified.

6. APPOINTMENT OF EXTERNAL AUDITORS (ORDINARY RESOLUTION NO.6)

In terms of the Fund Rules, an external auditor shall be appointed, subject to the approval of the members, at each Annual General Meeting, to hold office from the conclusion of that Annual General Meeting, until the conclusion of the next Annual General Meeting. In 2019, the Fund went to tender for external audit services and Deloitte & Touche was awarded the tender for a period of three (3) years subject to annual re-appointment by the AGM in terms of the Rules of the Fund.

REQUESTED RESOLUTION

It is **RESOLVED** that Deloitte & Touche be and are hereby re-appointed as auditors of the Fund from conclusion of this AGM until conclusion of the 2021 AGM at a fee to be agreed upon.

Travel Insurance

Up To P25 Million International Travel Cover

PULA introduces the new revised and enhanced International Travel Insurance; Silver and Gold Cover. The Silver Package for up to 92 days per travel worth P 1 Million for Lesotho, South Africa, Namibia & Eswatini. The Gold Package for up to 92 days worth P25 Million for the rest of the world.

NEWLY
ADDED
BENEFITS



Repatriation of remains and coffin costs of up to P10 000

If you or your covered dependents pass on whilst on travel, the insurer will provide transportation costs to the country of origin and coffin costs up to P10 000



Up to P25 million emergency medical & related costs



P500 000 Kidnapping & Wrongful Detention

If you find yourself in the wrong side of the law or you are kidnapped with the intention to seek ransom or extortion



P20 000 Hijack

The cover provides for hijack when travelling outside the Country



Up to P300 000 death and disability cover

The cover includes cover for disability and death for you or dependants when travelling outside the country

92

Up to 92 consecutive days outside Botswana



Up to P15 000 cover for the return of accompanying children and travel companion

The cover provides for the safe return of accompanying children and travel companion back to the country of origin



Up to P20 000 theft or damage of Baggage

The benefit includes cover of theft and damage to personal property caused by third party



Up to P7 500 for missed flight connection

The cover will also provide Up to P1 000 for flight delays



Apply for travel insurance online at www.pulamed.co.bw

Available to members on the Executive and Deluxe Options. Policy Wording available at www.pulamed.co.bw

T&C apply, subject to Policy Wording Document. Cover is underwritten by Botswana Insurance Company and AIG Travel.



SPECIAL RESOLUTION NO. 1 -

PROPOSED RULE CHANGES FOR CONSIDERATION AT THE 2020 ANNUAL GENERAL MEETING

PROPOSED AMENDMENT / PROPOSED NEW RULE	PROPOSED RULE WORDING	REASON FOR PROPOSED CHANGE
Amendment of Clause 6.7	"child" shall mean a member's child, step child, <i>child under legal guardianship</i> or legally adopted child, who is under the age of 21 years, who is unmarried and not in receipt of a regular remuneration exceeding the amount prescribed in Annexure A	To cater for a child who is cared for by a member who has been appointed the child's legal guardian. This is a more formal relationship and would cater for families bringing up child relatives. Provides for and is aligned to norms in Botswana. An application for a dependant under guardianship will be accompanied by proof of guardianship such as a Court Order or a letter from the District Commissioner confirming guardianship.
Amendment of Rule 9 Additional Clause 9.4	9.4 <i>The Fund shall require members to update their information and/or provide additional records, from time to time, as may be required by relevant regulators or legislation. Failure on the part of a member to provide the required information and/or update their records, within the stipulated period at the time, may result in withholding of benefits or termination of membership.</i>	9.4 To ensure compliance with the law and regulatory requirements (e.g. AML etc).
Additional Clause 9.4.3	9.4.3 <i>a member under Rule 8.1 or 8.2, who requires treatment for a chronic condition and had not disclosed the pre-existing condition (e.g. chronic condition/illness, disorder or disability) and which condition the member might not have been aware of but ought to have been aware of based on the clinical data, shall be subject to twenty four (24) months waiting period.</i>	9.4.3 To ensure that there is no anti-selection and that members declare their conditions. To explicitly state the waiting period under these circumstances.
Amendment of Clause 9.5.1	9.5.1 a member under Rule 8.1 who has made full disclosure of a pre-existing condition (<i>e.g. chronic condition/illness, disorder or disability</i>) or requires an elective procedure which is a major intervention within three (3) months of the member's admission , may be subject to a twelve (12) months waiting period.	9.5.1 To clarify that the waiting period applies for disclosed chronic conditions/illness, disorder or disability
Amendment of Clause 9.5.2	9.5.2 a member under Rule 8.2.3 who has made full disclosure of a pre-existing condition (<i>e.g. chronic condition/illness, disorder or disability</i>) or an elective procedure that will require a major intervention within three (3) months of the member's admission , shall be subject to a twenty four (24) months waiting period	9.5.2 To clarify that the waiting period applies for disclosed chronic conditions/illness, disorder or disability
Deletion of Clause 11.2	11.2 <i>Notwithstanding the provisions of Rule 11.1 above, should the member lose his membership card and/or request for an additional card, he will be charged a fee as may be determined by the Board of Trustees from time to time for the replacement of the card and/or additional card.</i>	11.2 The Fund does not wish to charge its Members extra for card replacements or additional cards. The amount that can be charged for member cards is nominal and the Rule has never been implemented and it was an audit finding in the FY2019/20 internal audit for the Fund.
Amendment of Clause 20.2	20.2 Where a claim is submitted more than three (3) months after the date on which services were rendered, benefits will be granted only at the discretion of the Board of Trustees, who may impose a <i>penalty of 15%</i> for late submission	20.2 This is to clarify and state the penalty that may be applied.

SPECIAL RESOLUTION NO. 1 -

PROPOSED RULE CHANGES FOR CONSIDERATION AT THE 2020 ANNUAL GENERAL MEETING

PROPOSED AMENDMENT / PROPOSED NEW RULE	PROPOSED RULE WORDING	REASON FOR PROPOSED CHANGE
Additional Rule 25.1.1	25.1.1 At least five (5) <i>Up to four (4)</i> shall be representatives of major employer groups contributing to the Fund. It shall be desirable that all appointees to the Board of Trustees be members or beneficiaries of PULA, however, the Board of Trustees may at its discretion appoint a major employer representative to the Board of Trustees who is not a member or beneficiary of PULA.	25.1.1 A change necessitated by the implementation of King IV™ – requirement to have more independent Board members (Trustees) than non-independents (employer group representatives) for the efficiency of the Fund.
Additional Rule 25.1.4	25.1.4 <i>Notwithstanding Rule 25.1.3 above, where the Board needs to extend a term for a retiring Trustee for whatever business need, the Board may extend such Trustee’s tenure by a period not exceeding two (2) years, subject to ratification at the next Annual General Meeting.</i>	25.1.4 Considering where the Board has been in the recent past – an unprecedented turnover of trustees (mostly attributable to resignations by employer group representatives) resulting in bottlenecks in running the Fund, the proposed additional Rule 25.1.4 would allow, under exceptional circumstances, for a governed continuance of members who have served on the Board for 10 years to serve for an extended prescribed period of time, which period will be defined in the Board Charter.
Amendment of Rule 25.6	25.6 Every five (5) years <i>three (3) years</i> , at the first meeting of the Board after the Annual General Meeting of the members, the Board shall elect from its members, a Chairman and Vice Chairman . Such office bearers shall hold office for a period of five (5) years <i>three (3) years</i> but shall be eligible for re-election subject to Rule 25.1.3 above. Should any a vacancy occur in the office of the Chairman and Vice Chairman , the Board shall forthwith from among its members, select a person to fill such office for the remainder of the period for which the vacating incumbent would have held the office, subject to Rule 25.1.3 above.	25.6 The concept of Vice Chairman is a dying concept in modern governance (with its only duty being to chair meetings when the Chairman is not around) and the Board of Trustees proposes that it be dealt away with. The change in the number of years from three (3) to five (5) is meant to tally with the strategy period as well as ensure continuity in leadership during the period.
Amendment to Rule 25.7	25.7 All meetings of the Board shall be presided over by the Chairman and, failing him the Vice-Chairman, the Trustees present shall elect one amongst their number, to preside over the meeting. In the event of neither the Chairman nor Vice Chairman being present at the meeting of the Board, the Trustees present shall elect one amongst their number, to preside over the meeting.	25.7 Same justification as Rule 25.6 above.
Additional clauses to Rule 39.1.1.3	39.1.1.3 the appointment and re-election of Trustees. 39.1.1.4 the approval or ratification of Trustees fees. 39.1.1.5 the approval or ratification of external auditors’ fees	A change necessitated by principles of good governance.
Amendment of Annexure A: Contributions	Amend Annexure A to read, “Child or Special dependent” everywhere “Child dependant” appears on the contributions table.	This is to make the process of determining contributions easier and assist members to support their special dependants in time of need.



ABRIDGED ANNUAL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

PULA MEDICAL AID FUND
**GENERAL
 INFORMATION**
 FOR THE YEAR ENDED 30 JUNE 2020

Country of incorporation and domicile	Botswana
Principal activity	Pula Medical Aid Fund (the “Fund”) provides assistance to its members and their dependents in defraying expenditure incurred in relation to medical and related services.
Trustees	Maleho Mothibatsela Bakani Thipe Geoffrey Mahlaka Oteng Sebonego Kushatha Moswela Leawetsa Meyer Naiko Carol Ralebala Anthony Masunga Ishmael Dipholo Priyalal De Silva
Registered office	Unit 1 (Acacia), Prime Plaza Plot 74358 4th Western Commercial Road New CBD Gaborone Botswana
Postal address	PO Box 891 AAD Gaborone Botswana
Principal Officer	Khumoetsile Mapitse
Administrators	Associated Fund Administrators Botswana (Proprietary) Limited
Bankers	First National Bank Botswana Limited BancABC Limited First Capital Bank Botswana ABSA Bank Botswana Limited
Auditors	Deloitte & Touche
Registration	The Fund was registered in Botswana under the Notarial Deed of Trust (registration reference MA 22/91)
Investment Managers	Botswana Insurance Fund Management Limited
Lawyers	Armstrongs - Attorneys Notaries & Conveyancers

ABRIDGED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

CONTENTS

The reports and statements set out below comprise the abridged annual financial statements presented to the trustees:

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PULA MEDICAL AID FUND

STATEMENT OF RESPONSIBILITIES BY THE BOARD OF TRUSTEES

FOR THE YEAR ENDED 30 JUNE 2020

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

The Board is required 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 Fund 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 independent auditors are engaged to express an independent opinion on the financial statements.

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

The financial statements are prepared in accordance with IFRS 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 financial statements.

The Board members acknowledge that they are ultimately responsible for the system of internal financial control established by the Fund 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 Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

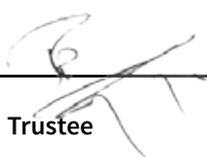
The Board has made an assessment of the ability of the Fund to continue as a going concern and has no reason to believe the Fund will not be a going concern in the year ahead. The Board has taken into account the business impact of the outbreak of the COVID-19 pandemic in making its assessment.

The external auditors are responsible for independently auditing and reporting on the fund's annual financial statements. The annual financial statements have been examined by the fund's external auditors and their report is presented on pages 32 to 62.

The abridged annual financial statements and additional schedules set out on pages 32 to 62, which have been prepared on the going concern basis, were approved by the board on 16 October 2020 and were signed on its behalf by:



Chairman



Trustee

PULA MEDICAL AID FUND

TRUSTEES'

REPORT

Trustees' Report

The trustees have pleasure in submitting their report on the abridged annual financial statements of Pula Medical Aid Fund for the year ended 30 June 2020.

1. Nature of business

Pula Medical Aid Fund (the "Fund") was registered on 31 July 1991 under a Notarial Deed of Trust to provide assistance to members of the Fund and their dependents in defraying expenditure incurred in connection with medical and related services. The fund is domiciled in Botswana.

There have been no material changes to the nature of the fund's business from the prior year.

2. Review of financial results and activities

The abridged annual financial statements have been prepared in accordance with International Financial Reporting Standards and Notarial Deed of Trusts. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the fund are set out in these abridged annual financial statements.

3. Contact information

Registered office Unit 1 (Acacia), Prime Plaza
Plot 74358
4th Western Commercial Road
New CBD
Gaborone
Botswana

Postal address PO Box 891 AAD
Gaborone
Botswana

4. Events after the reporting period

The Trustees are not aware of any material event which occurred after the reporting date and up to the date of this report which are not dealt with in these financial statements.

5. Going concern

The abridged annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. Management performed an assessment of the Fund's ability to continue operating as a going concern, also taking into account the business impact of the outbreak of the COVID 19 disease amongst other factors (Refer to Note 25). On the basis of this assessment, management believes that the Fund will have sufficient financial resources to continue operating as a going concern in the foreseeable future.

6. Auditors

Deloitte & Touche were appointed as the Fund's auditors for the 2020 financial year.

PULA MEDICAL AID FUND

STATEMENT BY MANAGEMENT ON THE ABRIDGED FINANCIAL STATEMENTS

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

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

The Trustees of Pula Medical Aid take full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying annual financial statements. A copy of the Annual Financial Statements that have been summarised in this report can be obtained from the Fund's registered office.

PULA MEDICAL AID FUND

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 P	2019 P
ASSETS			
Non-Current Assets			
Equipment	4	2,216,260	297,520
Right-of-use asset	5	1,319,182	-
Intangible assets	6	164,461	-
		3,699,903	297,520
Current assets			
Investments at fair value	7	103,962,935	87,010,928
Trade and other receivables	8	1,816,823	1,472,248
Cash and cash equivalents	9	80,074,552	41,173,894
		185,854,310	129,657,070
Total assets		189,554,213	129,954,590
RESERVES AND LIABILITIES			
Reserves			
Accumulated surplus		154,023,426	95,367,818
Non-current liabilities			
Lease liabilities	10	1,164,819	-
Current liabilities			
Trade and other payables	11	10,521,967	14,645,929
Lease liabilities	10	198,373	-
Contract liabilities - contributions received in advance	12	2,145,628	2,410,843
Provision for outstanding claims	13	21,500,000	17,530,000
Total liabilities		34,365,968	34,586,772
Total reserves and liabilities		189,554,213	129,954,590

The accounting policies on pages 42 - 52 and the notes on pages 53 - 62 form an integral part of the abridged annual financial statements.

PULA MEDICAL AID FUND

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2020 P	2019 P
Income from contributions	14	359,552,089	316,188,465
Claims expenditure and other member benefits	15	(268,993,151)	(283,062,985)
Net contribution surplus		90,558,938	33,125,480
Other operating income		193,177	11,502
Impairment of financial assets	8	2,403,477	(114,058)
Administrative expenses		(37,294,189)	(32,430,784)
Operating surplus	16	55,861,403	592,140
Investment income	17	4,988,716	4,976,552
Finance cost	18	(58,715)	-
Fair value loss on financial assets at fair value through profit or loss	19	(2,135,796)	(3,277,049)
Surplus before taxation		58,655,608	2,291,643
Taxation		-	-
Surplus for the year		58,655,608	2,291,643
Other comprehensive income		-	-
Total comprehensive income for the year		58,655,608	2,291,643

The accounting policies on pages 42 - 52 and the notes on pages 53 - 62 form an integral part of the abridged annual financial statements.

PULA MEDICAL AID FUND

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 30 JUNE 2020

	Accumulated surplus P	Total equity P
Balance as at 01 July 2018	93,076,175	93,076,175
Surplus for the year	2,291,643	2,291,643
Other comprehensive income	-	-
Total comprehensive income for the year	2,291,643	2,291,643
Balance as at 01 July 2019	95,367,818	95,367,818
Surplus for the year	58,655,608	58,655,608
Other comprehensive income	-	-
Total comprehensive income for the year	58,655,608	58,655,608
Balance as at 30 June 2020	154,023,426	154,023,426

The accounting policies on pages 42 - 52 and the notes on pages 53 - 62 form an integral part of the abridged annual financial statements.

PULA MEDICAL AID FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 P	2019 P
Surplus for the year		58,655,608	2,291,643
Adjustments for:			
Depreciation - equipment		322,954	28,958
Amortisation - intangible assets		18,274	-
Depreciation - right of use asset		164,898	-
Dividends received		(3,063,522)	(2,862,360)
Finance income		(1,925,194)	(2,114,192)
Finance costs		58,715	-
Fair value losses on financial assets at fair value through profit or loss		2,135,796	3,277,049
Impairment of financial assets		(2,403,477)	114,058
Provision for outstanding claims		3,970,000	(1,170,000)
Changes in working capital:			
Trade and other receivables		2,058,902	2,232,848
Trade and other payables		(4,123,962)	8,257,638
Contract liabilities - contributions received in advance		(265,215)	474,629
Cash generated from operations		55,603,777	10,530,271
Cash flows from investing activities			
Purchase of equipment		(2,241,694)	(326,478)
Purchase of intangible assets		(182,735)	-
Net purchases and disposal of financial assets at fair value through profit or loss		(19,087,803)	(3,632,264)
Finance income		1,925,194	2,114,192
Dividends received		3,063,522	2,862,360
Net cash (used in)/generated from investing activities		(16,523,516)	1,017,810
Cash flows from financing activities			
Payment on lease liabilities		(120,888)	-
Finance costs		(58,715)	-
Net cash used in financing activities		(179,603)	-
Total movement in cash and cash equivalents for the year		38,900,658	11,548,081
Cash and cash equivalents at the beginning of the year		41,173,894	29,625,813
Cash and cash equivalents and the end of the year		80,074,552	41,173,894

The accounting policies on pages 42 - 52 and the notes on pages 53 - 62 form an integral part of the abridged annual financial statements.

PULA MEDICAL AID FUND

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

General information

Pula Medical Aid Fund (the “Fund”) was registered on 31 July 1991 under a Notarial Deed of Trust to collect contributions from and provide assistance to members of the Fund and their dependents to defray medical and related services expenses. The Fund is domiciled in Botswana.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these abridged financial statements are set out below.

1.1 Basis of preparation

The abridged financial statements for the year ended 30 June 2020 and have been prepared based on accounting policies which comply with International Financial Reporting Standards. The accounting policies applied are consistent with those of the financial statements for the year ended 30 June 2020 which are set out below:

The abridged financial statements have been prepared on the historic cost basis except for certain financial assets which are stated at fair value. They are presented in Botswana Pula, which is the Fund’s functional currency.

The accounting policies applied in the preparation of these abridged financial statements are consistent with those used in the previous year, except for the adoption of IFRS 16 during the current year.

1.2 Statement of compliance

The financial statements from which these abridged financial statement have been extracted from have been prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS), Interpretations adopted by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRIC) of the IASB.

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

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. 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 period in which the estimates are revised and in any future periods affected.

The following are the critical judgements, apart from those involving estimations, that the Trustees have made in the process of applying the Fund’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements used to prepare the abridged financial statements for the year ended 30 June 2020.:

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, and
- Other financial assets. 1.3 Critical judgements in applying accounting policies and significant judgements and sources of estimation uncertainty (continued)
- Provision for outstanding claims

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

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

The provision for outstanding claims was recommended by professional actuaries and approved by the Trustees as the best estimate of claims that have been incurred during the current financial year but which are payable after the year-end. 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 estimated with reference to membership growth, inflation rates, contribution increase and assumed bad debts. There is estimation uncertainty that has to be considered in the provision for the estimate of the liability arising from outstanding claims. Sources of unreported claim payments include:

- Unknown and hence unreported claims; and
- Closed claims that later become reopened and have additional payments made.

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

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 Fund is the current mid price.

Money market funds are valued at the closing price reported by the Fund managers from an actively traded exchange. Term deposits are valued at amortised cost, which approximates their fair values.

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 Fund for similar financial instruments.

1.4 Equipment

Equipment represents tangible assets which the Fund holds for its own use and which are expected to be used for more than one year.

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

Equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition of the asset.

Expenditure incurred subsequently for major services, additions to or replacements of parts of equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

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 Fund. 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.

PULA MEDICAL AID FUND

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

1.4 Equipment (continued)

The useful lives of items of equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Office equipment	Straight line	6 years
IT equipment	Straight line	3 years

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

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

Impairment tests are performed on equipment when there is an indicator that they may be impaired. When the carrying amount of an item of 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 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 equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.5 Intangible assets

Intangible assets are recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Fund; and
- the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost and subsequently 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.

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
Accpac software	Straight line	5 years

1.6 Financial instruments

Financial instruments held by the Fund are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Fund, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income).

Financial liabilities:

- Amortised cost.

Note Financial instruments and risk management presents the financial instruments held by the Fund based on their specific classifications.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

1.6 Financial instruments (continued)

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Fund are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Fund's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables comprise subscriptions due and other sundry receivables. Trade and other receivables are recognised when the Fund becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating expense.

Impairment

The Fund recognises a loss allowance for expected credit losses on trade and other receivables, excluding prepayments. The amount of expected credit losses is updated at each reporting date.

The Fund measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses
The Fund makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 6.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

PULA MEDICAL AID FUND

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

1.6 Financial instruments (continued)

Write off policy

The Fund writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Fund recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 6) and the financial instruments and risk management note (note).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item.

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 5. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the Fund may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

Recognition and measurement

Investments in equity instruments are recognised when the Fund becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income (and accumulated in equity in the reserve for valuation of investments), depending on their classification. Details of the valuation policies and processes are presented in note .

Fair value gains or losses on investments at fair value through profit or loss are recognised in profit or loss.

Dividends received on equity investments are recognised in profit or loss when the Fund's right to received the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income (note 15).

Investments denominated in foreign currencies

When an investment in an equity instrument is denominated in a foreign currency, the fair value of the investment is determined in the foreign currency. The fair value is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss as part of the fair value adjustment for investments which are classified as at fair value through profit or loss. Foreign exchange gains or losses arising on investments at fair value through other comprehensive income are recognised in other comprehensive income and accumulated in equity in the reserve for valuation of investments.

Impairment

Investments in equity instruments are not subject to impairment provisions.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

1.6 Financial instruments (continued)

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

The gains or losses which accumulated in equity in the reserve for valuation of investments for equity investments at fair value through other comprehensive income are not reclassified to profit or loss on derecognition. Instead, the cumulative amount is transferred directly to retained earnings.

Investments in debt instruments at fair value through profit or loss Classification

Debt instruments are classified as mandatorily at fair value through profit or loss. These investments do not qualify for classification at amortised cost or at fair value through other comprehensive income because either the contractual terms of these instruments do not give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, or the objectives of the Fund business model are met by selling the instruments rather than holding them to collect the contractual cash flows.

The Fund hold investments in debentures and corporate bonds (note 5) which are mandatorily at fair value through profit or loss.

Recognition and measurement

Investments in debt instruments at fair value through profit or loss are recognised when the Fund becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses are recognised in profit or loss (note 17). Details of the valuation policies and processes are presented in note .

Finance income on debt instruments at fair value through profit or loss are included in investment income (note 15).

Investments denominated in foreign currencies

When an investment in a debt instrument at fair value through profit or loss is denominated in a foreign currency, the fair value of the investment is determined in the foreign currency. The fair value is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised as part of the fair value adjustment in profit or loss.

Impairment

Investments in debt instruments at fair value through profit or loss are not subject to impairment provisions.

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Trade and other payables

Classification

Trade and other payables (note 9), excluding amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Fund becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method.

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

PULA MEDICAL AID FUND

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

1.6 Financial instruments (continued)

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.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 16).

Trade and other payables expose the Fund to liquidity risk and possibly to interest rate risk. Refer to note for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating expense. Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note).

Derecognition

Refer to the “derecognition” section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets

The Fund 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 party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Fund derecognises financial liabilities when, and only when, the Fund obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The Fund only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.7 Tax

No provision for income tax was recognised in these financial statements as the Fund is registered under a Notarial Deed of Trust and according to part 1, paragraph (v) of the second schedule of the Income Tax Act Chapter 52.01 (2006) of Botswana, the Fund is exempt from income tax.

PULA MEDICAL AID FUND

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

1.8 Leases

The Fund assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is “identified”, which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Fund has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Fund as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Fund is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Fund recognises the lease payments as an operating expense (note 14) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Details of leasing arrangements where the Fund is a lessee are presented in note 3 - Right of use asset.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Fund uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the
- commencement date;
- the amount expected to be payable by the Fund under residual value guarantees;
- the exercise price of purchase options, if the Fund is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 16).

The Fund remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

1.8 Leases (continued)

- there has been a change in the assessment of whether the Fund will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

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 company is contractually required to dismantle, remove or restore the leased asset.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Fund expects to exercise a purchase

option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

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

1.9 Impairment of assets

The Fund assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Fund estimates the recoverable amount of the asset.

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 discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses recognised in the prior periods are assessed at each reporting date for any indication that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment was recognised. 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.

PULA MEDICAL AID FUND

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

1.10 Employee benefits

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 and are not discounted.

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.

1.11 Provision for outstanding claims and administration fees

Claims incurred consist of claims paid during the financial year together with the movement in the provision for outstanding claims. The provision for outstanding claims comprises the Fund's estimate of the cost of settling all claims incurred but not intimated at the reporting date. 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 to ensure consistency in application and interpretation of results. The Fund does not discount its outstanding claims provision since the effect of the time value of money is not considered material.

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 three 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.

Administration fees payable relate to amounts due to the Fund's administrators. The fees are charged to the statement of comprehensive income as the services are rendered.

1.12 Revenue

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

PULA MEDICAL AID FUND

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

1.12 Revenue (continued)

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 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.

Finance income is recognised in the statement of comprehensive income using the effective interest rate method, and taking into account the expected timing and amount of cash flows. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Dividend income is recognised in the statement of comprehensive income when the right to receive payment is established.

1.13 Translation of foreign currencies

A foreign currency transaction is recorded, on initial recognition in Botswana Pula, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated

using the exchange rate at the date of the transaction; and

- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous abridged financial statements are recognised in profit or loss in the period in which they arise.

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

4. Equipment

Figures in Pula

	2020			2019		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying value
Office equipment	2,181,931	(200,682)	1,981,249	-	-	-
IT equipment	386,240	(151,229)	235,011	326,478	(28,958)	297,520
	2,568,171	(351,911)	2,216,260	326,478	(28,958)	297,520

Reconciliation of equipment - 2020

	Opening Carrying value	Additions	Depreciation	Closing Carrying value
Office equipment	-	2,181,931	(200,682)	1,981,249
IT equipment	297,520	59,763	(122,272)	235,011
	297,520	2,241,694	-322,954	2,216,260

Reconciliation of equipment - 2019

	Opening Carrying value	Additions	Depreciation	Closing Carrying value
Office equipment	-	326 478	(28 958)	297 520

The estimated useful lives, residual lives 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.

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

5. Right of use asset

The Fund adopted IFRS 16 for the first time in the current financial period. The information presented in this note for right-of-use assets therefore is only for the current financial reporting year as the Fund did not have any contracted leases in the prior year.

The Fund holds one (1) lease agreement effective from 01 November 2019 as a lessee for a property in Gaborone. A weighted average incremental borrowing rate of 6.5% was applied in the calculation of the discounted present value of the lease liabilities and right of use asset at 01 November 2019.

A reconciliation of the right of use of asset from the prior year is shown below:

Right of use of assets reconciliation	2020	2019
Opening carrying value	-	-
Additions	1,484,080	-
Amortisation	(164,898)	-
	1,319,182	-

6. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Accpac accounting software	182,735	(18,274)	164,461	-	-	-

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	P	P
7. Investments at fair value		
Equity Investments at fair value through profit or loss	52,844,372	51,956,286
Debt Investments at fair value through profit or loss	51,118,563	35,054,642
	103,962,935	87,010,928
Listed shares	52,844,372	51,956,286
Unlisted bonds and deposits	37,972,427	27,958,058
Listed bonds	13,146,136	7,096,584
	103,962,935	87,010,928
Split between non-current and current portions		
Current assets	103,962,935	87,010,928

Risk exposure

The investments held by the fund expose it to various risks, including credit risk, currency risk, interest rate risk and price risk.

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	P	P
8. Trade and other receivables		
Financial instruments:		
Contributions receivables	3,102,468	5,170,139
Loss allowance	(1,559,760)	(3,963,238)
Trade receivables at amortised cost	1,542,708	1,206,901
Other receivables	220,611	265,347
Non-financial instruments:		
Withholding tax refundable	32,000	-
Prepayments	21,504	-
Total trade and other receivables	1,816,823	1,472,248
Split between non-current and current portions		
Current assets	1,816,823	1,472,248
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	1,763,319	1,472,248
Non-financial instruments	53,504	
	1,816,823	1,472,248

Exposure to credit risk

Trade receivables inherently expose the Fund to credit risk, being the risk that the Fund 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 Fund only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained. Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

8. Trade and other receivables (continued)

	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)
Expected credit loss rate:				
Not past due: 33.7% (2019: 33.7%)	2,327,398	784,690	1,821,874	614,972
Less than 30 days past due: 100% (2019: 100%)	245,341	245,341	267,758	267,758
31- 60 days past due: 100% (2019: 100%)	27,916	27,916	343,816	343,816
61- 90 days past due: 100% (2019: 100%)	20,278	20,278	121,401	121,402
91- 120 days past due: 100% (2019: 100%)	481,535	481,535	2,615,290	2,615,290
Total	2,572,739	1,559,760	5,170,139	3,963,238

Reconciliation of loss allowances

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

Opening balance in accordance with IFRS 9	(3,963,238)	(4,457,507)
Provisions reversed on settled trade receivables	3,963,238	608,327
Provision for the year	(1,559,760)	(114,058)
Closing balance	(1,559,760)	(3,963,238)

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	P	P
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	80,074,552	41,180,169
	80,074,552	41,180,169
<p>Surplus funds are retained in both the current account and the call account. The call account bears interest at current commercial bank rates. For the purpose of the statement of cash flows, cash and cash equivalents include total current and call account balances.</p>		
10. Lease liabilities		
Minimum lease payments due		
- within one year	276,589	-
- in second to fifth year inclusive	1,221,506	-
- later than five years	109,258	-
	1,607,353	-
less: future finance charges	(244,161)	-
Present value of minimum lease payments	1,363,192	-
Present value of minimum lease payments due		
- within one year	198,373	-
- in second to fifth year inclusive	1,056,406	-
- later than five years	108,413	-
	1,363,192	-
Non-current liabilities		
Current liabilities	1,164,819	-
	198,373	-
	1,363,192	-
Other disclosures		
Interest expense on lease liabilities	58,715	-
Principal repayment - lease liability	120,888	-

The lease is for a 3 year term with 3 year renewal clause. An average effective borrowing rate of 6.5% was applied in determining the fair value of the lease liability at the date of recognition.

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	P	P
11. Trade and other payables		
Financial instruments:		
Creditors for claims	2,805,911	10,076,480
Administration fees payable	3,684,571	2,821,998
Other accounts payable	2,142,813	1,603,611
Non-financial instruments:		
Payroll accruals	1,888,672	143,840
	10,521,967	14,645,929

Financial instrument and non-financial instrument components of trade and other payables

At amortised cost	8,633,295	14,502,089
Non-financial instruments	1,888,672	143,840
	10,521,967	14,645,929

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

The fair value of trade and other payables approximates their carrying amounts.

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	P	P

12. Contract liabilities - contributions received in advance

Summary of contract liabilities

Contract liabilities - contributions received in advance	2,145,628	2,410,843
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13. Provision for outstanding claims

Reconciliation of provision for outstanding claims - 2020

	Opening balance	Utilised during the year	Closing balance
Provision for outstanding claims (P)	17,530,000	3,970,000	21,500,000

Reconciliation of provision for outstanding claims - 2019

	Opening balance	Addition	Closing balance
Provision for outstanding claims (P)	18,700,000	(1,170,000)	17,530,000

The provision for outstanding claims represents the Trustees' best estimate of claims, with the assistance of actuaries, that have been incurred during the current financial year but which are payable after the year-end.

The following are key assumptions used in the computation of claims which were incurred but not reported (IBNR) as at 30 June 2020.

Key assumptions

Membership growth - % per annum

	2020	2019
- Executive option	8%	11%
- Standard option	-6%	-11%
- Deluxe option	4%	2%
- Galaxy option	53%	47%
- Flexi	2%	29%

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	P	P

14. Operating surplus

Operating surplus for the year is stated after charging (credited) the following, amongst others

Audit fees - external audit		
Audit fees - internal audit	224,001	-
Administration fees	19,412,312	18,073,329
Consultancy fees	792,806	353,591
Secretarial fees	138,450	534,752
Legal fees	230,731	603,738
Depreciation of property, plant and equipment	322,954	28,958
Amortisation of right-of-use assets	164,898	-
Realised foreign exchange losses	351,552	-
Principal office employee benefits expense	4,521,498	1,893,909
Credit loss allowance on trade receivables	(2,403,477)	114,058
Trustees' sitting allowances and trustees' fees	2,190,264	1,885,784
Trustees' training	45,921	51,175
Travel insurance	1,768,515	1,473,140
Promotions and advertising	782,770	990,099

15. Investment income

Dividend received	3,063,522	2,862,360
Finance income on short-term investments	1,925,194	2,114,192
Total Investment income	4,988,716	4,976,552

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	P	P
16. Finance costs		
Finance costs - lease liabilities	58,715	-
17. Fair value loss on financial assets at fair value through profit or loss		
Fair value loss on financial assets at fair value through profit or loss	(2,135,796)	(3,277,049)

18. Taxation

No income tax was recognised in these financial statements as the Fund is exempt from income tax according to part 1, paragraph (v) of the second schedule of the Income Tax Act, 2006.

Pula Medical Aid Fund

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