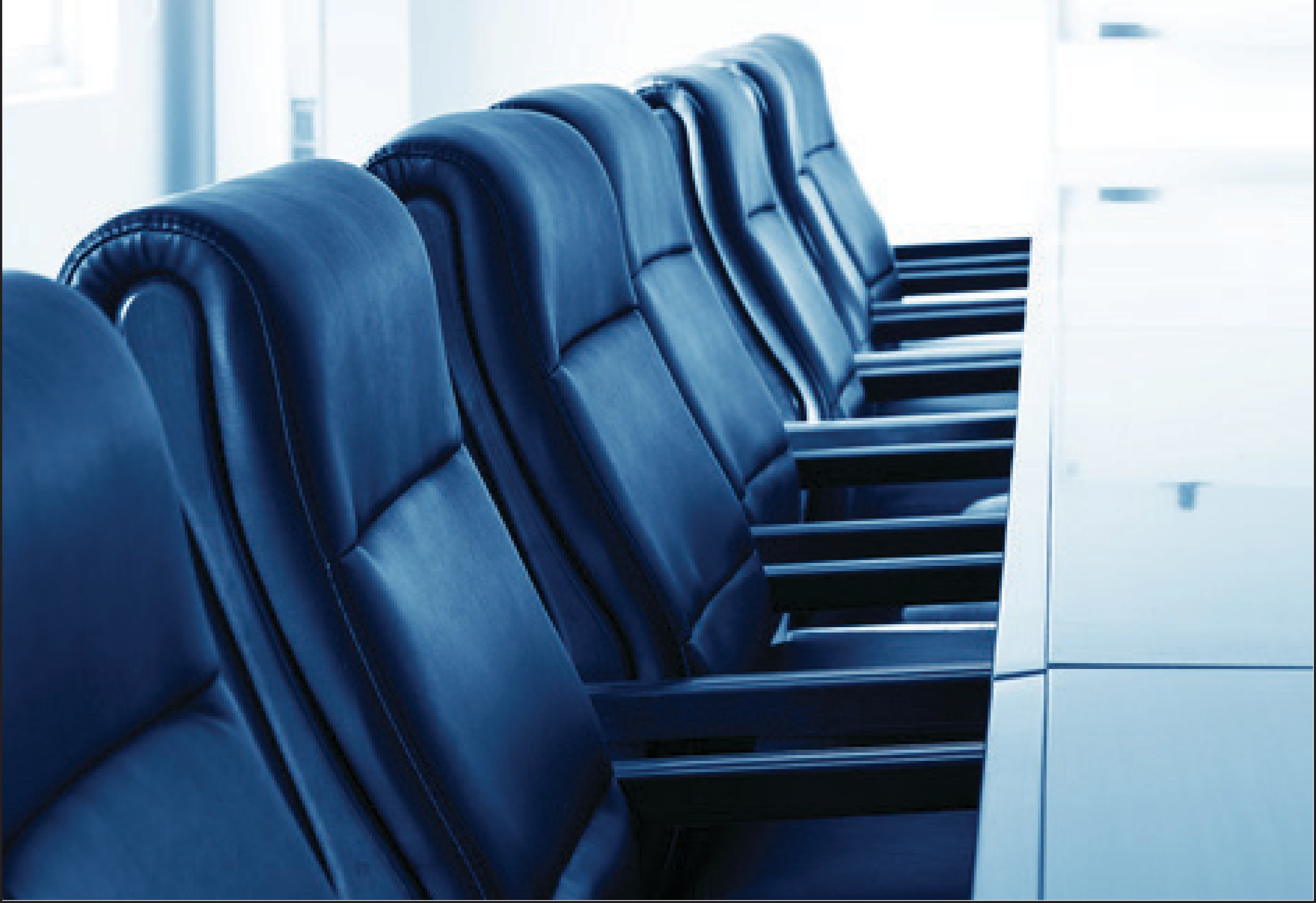
Pula Medical Aid Fund

ANNUAL FINANCIAL STATEMENTS 2016/17



General Information

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 Batho Motubudi Geoffrey Mahlaka Oteng Sebonego Mukani Pelaelo Matlhogonolo Mponang Phillip Mmokwa Anthony Masunga Obakeng Moroka **Alternates** Grace Siamisang
Registered office	Plot 61918 AFA House Showgrounds Office Park Gaborone
Postal address	PO Box 1212 Gaborone Botswana
Principal Officer	Dr Thato Moumakwa
Administrators	Associated Fund Administrators Botswana (Proprietary) Limited
Bankers	First National Bank Botswana Limited BancABC Limited Bank of India Limited Barclays Bank of Botswana Limited
Auditors	PricewaterhouseCoopers
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

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

The following supplementary information does not form part of the annual financial statements and is unaudited:

Trustees' Responsibilities and Approval

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

The Board of Trustees acknowledges that it is ultimately responsible for the system of internal financial control established by the Fund and places 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 of the administrator company 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. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Board of Trustees is of the opinion, based on the information and explanations given by the administrators, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The auditors are responsible for giving an independent opinion on the true and fair view of the annual financial statements based on their audit of the affairs of the Fund.

The going concern assumption has been applied, in the preparation of the annual financial statements. The Board of Trustees has no reason to believe that the Fund will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The annual financial statements and additional schedules set out on pages 9 to 38, which have been prepared on the going concern basis, were approved by the board on 15 September 2017 and were signed on its behalf by:

Chairperson | **Trustee**

Trustees' Report

The trustees have pleasure in submitting their report on the annual financial statements of Pula Medical Aid Fund for the year ended 30 June 2017.

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 annual financial statements have been prepared in accordance with International Financial Reporting Standards. 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 annual financial statements.

3. Contact information

Registered office	Plot 61918 AFA House Showgrounds Office Park Gaborone
Postal address	PO Box 1212 Gaborone Botswana

4. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

5. 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.

Trustees' Report (Continued)

6. Board of trustees

The trustees in office at the date of this report are as follows:

Trustees	Designation
Maleho Mothibatsela	Chairperson
Bakani Thipe	Vice Chairperson
Batho Motubudi	Independent Trustee
Geoffrey Mahlaka	Independent Trustee
Oteng Sebonego	Independent Trustee
Mukani Pelaelo	Representing Botswana Unified Revenue Services
Matlhogonolo Mponang	Representing Botswana Accountancy College
Phillip Mmokwa	Representing Botswana Ash
Anthony Masunga	Representing Botswana Telecommunications Corporations Limited
Obakeng Moroka	Representing Debswana Diamond Company

Alternates

Grace Siamisang	Employer Group Representative - Alternate to Mukani Pelaelo

7. Auditors

PricewaterhouseCoopers continued in office as auditors for the Fund for 2017.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PULA MEDICAL AID FUND

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Pula Medical Aid Fund (the "Fund") as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Pula Medical Aid Fund's financial statements set out on pages 9 to 36 comprise:

- the statement of financial position as at 30 June 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the Botswana Institute of Chartered Accountants Code of Ethics (the "BICA Code") and the ethical requirements that are relevant for our audit of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the BICA Code. The BICA Code is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B).

Other information

The Fund's Board of Trustees are responsible for the other information. The other information comprises the General information, Trustees' Repost, Trustees' Responsibilities and approval, Detailed Income Statement and Notes to the Detailed Income Statement for the year ended 30 June 2017. Other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the annual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Trustees' Responsibility for the annual financial statements

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

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

Auditor's responsibilities for the audit of the annual financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.

- Conclude on the appropriateness of the Board of Trustees use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers.

17 OCT 2017

Individual practicing member: Lalithkumar Mahesan
Registration number: 20030046

Gaborone

Statement of Financial Position as at 30 June 2017

	Notes	2017 P	2016 P
Assets			
Current Assets			
Financial assets at fair value through profit or loss	4	64 608 077	20 644 189
Trade and other receivables	5	4 791 867	4 351 904
Cash and cash equivalents	6	41 606 622	82 698 298
		111 006 566	**107 694 391**
Equity and Liabilities			
Equity			
Accumulated surplus		87 934 520	82 515 852
Liabilities			
Current Liabilities			
Provision for outstanding claims	7	13 700 000	14 000 000
Trade and other payables	8	9 372 046	11 176 641
Bank overdraft	6	-	1 898
		23 072 046	**25 178 539**
Total Equity and Liabilities		**111 006 566**	**107 694 391**

The accounting policies on pages 13 to 16 and the notes on pages 17 to 36 form an integral part of the annual financial statements.

Statement of Comprehensive Income

	Notes	2017 P	2016 P
Income from contributions		265 774 746	252 052 178
Claim expenditure	11	(236 688 524)	(201 872 271)
Net contribution surplus		**29 086 222**	**50 179 907**
Dividends income		1 529 764	20 809
Other income		198 532	418 026
Fair value loss on financial assets at fair value through profit or loss		(2 505 574)	(1 073 982)
Administrative expenses	11	(24 993 515)	(22 988 640)
Operating surplus		**3 315 429**	**26 556 120**
Finance income	12	2 103 239	2 696 127
Surplus before taxation		**5 418 668**	**29 252 247**
Taxation	14	-	-
Surplus for the year		**5 418 668**	**29 252 247**
Other comprehensive income		-	-
Total comprehensive income for the year		**5 418 668**	**29 252 247**

The accounting policies on pages 13 to 16 and the notes on pages 17 to 36 form an integral part of the annual financial statements.

Statement of Changes in Equity

	Accumulated surplus P	Total equity P
Balance as at 01 July 2015	**53 263 605**	**53 263 605**
Surplus for the year	29 252 247	29 252 247
Other comprehensive income	-	-
Total comprehensive income for the year	**29 252 247**	**29 252 247**
Balance as at 01 July 2016	**82 515 852**	**82 515 852**
Surplus for the year	5 418 668	5 418 668
Other comprehensive income	-	-
Total comprehensive income for the year	**5 418 668**	**5 418 668**
Balance as at 30 June 2017	**87 934 520**	**87 934 520**

The accounting policies on pages 13 to 16 and the notes on pages 17 to 36 form an integral part of the annual financial statements.

Statement of Cash Flows

	Notes	2017 P	2016 P
Cash flows from operating activities			
Cash receipts from members		264 664 293	251 173 138
Cash paid for claims and other benefits and in respect of administrative expenses		(262 917 612)	(224 523 664)
Cash generated from operations	13	1 746 681	26 649 474
Interest received		2 103 239	2 696 127
Net cash from operating activities		**3 849 920**	**29 345 601**
Cash flows from investing activities			
Dividends income		1 529 764	20 809
Purchase of financial assets		(46 469 462)	(21 718 171)
Net cash from investing activities		**(44 939 698)**	**(21 697 362)**
Total cash movement for the year		**(41 089 778)**	**7 648 239**
Cash at the beginning of the year		82 696 400	75 048 161
Total cash at end of the year	6	**41 606 622**	**82 696 400**

The accounting policies on pages 13 to 16 and the notes on pages 17 to 36 form an integral part of the annual financial statements.

Accounting Policies

General information

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.

The financial statements set out on pages 9 to 38 have been approved by the Board of Trustees on 15 September 2017.

1. Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements, which have been applied on a consistent basis with those of the previous year, are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held at fair values through profit or loss.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Detailed disclosure of estimates and assumptions to which the Fund is subject to is given in note 19.

1.2 Financial assets

1.2.1 Classification

The Fund classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial instruments designated as at fair value through profit or loss

These include financial assets that the entity either holds for trading purposes or upon initial recognition it designates as at fair value through profit or loss. A entity may use this latter designation when doing so results in more relevant information by eliminating or significantly reducing a measurement or recognition inconsistency (an accounting mismatch) or where a group of financial assets and/or financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the assets and/or liabilities is provided internally to the entity's key management personnel.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Fund's loans and receivables comprise 'loans and advances', 'trade receivables', 'other receivables' and Cash at bank and cash equivalents in the statement of financial position (Notes 5 and 6).

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Accounting Policies

1.2 Financial assets (continued)

1.2.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'investment income' in the period in which they arise. Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in the statement of changes in reserves.

1.2.3 Offsetting financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.3 Impairment

The carrying amounts of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. The impairments of financial assets are done in accordance with financial asset recognition and measurement criteria.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

1.4 Contributions receivable

Contributions receivable are amounts due from customers for insurance cover provided in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Contributions receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of contributions receivable is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the contributions receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount. Bad debts are written-off to the statement of comprehensive income during the year in which they are identified.

1.5 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank net of bank overdrafts and deposits held at call with banks. Bank overdrafts are given under short term borrowings in the statement of financial position.

Accounting Policies

1.6 Foreign currencies

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Botswana Pula, which is the Fund's functional and the presentation currency.

b) Transactions and balances

A foreign currency transaction is recorded, on initial recognition in 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 each reporting date:

-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 financial statements are recognised in statement of comprehensive income in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in reserves, any exchange component of that gain or loss is recognised directly in reserves. When a gain or loss on a non-monetary item is recognised in statement of comprehensive income, any exchange component of that gain or loss is recognised in statement of comprehensive income.

Cash flows arising from transactions in a foreign currency are recorded in Pula by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

1.7 Revenue recognition

1.7.1 Income from contributions

The Fund obtains monthly contributions from its members. These contributions are recognised in the statement of comprehensive income on an accrual basis. The premiums include adjustments to premiums from backdated termination and registrations.

1.7.2 Investment income

Investment income comprises interest receivable on funds invested, realised investment value and dividend income from investments. Interest income is recognised in the statement of comprehensive income, using the effective interest rate method, and taking into account the expected timing and amount of cash flows. Interest income includes the amortisation of any discounts or premiums or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on an effective interest rate method. Dividend income is recognised in the statement of comprehensive income when the right to receive payment is established. The accumulated fair value adjustments of available-for-sale investments are included in the income statement as gains and losses from investment securities, at the time of disposal. Please refer note 1.3 for basis recognising fair value gains/losses on arising on investment classified as fair value through profit or loss.

Accounting Policies

1.8 Claims and administration fees

Claims incurred

Claims incurred consist of claims paid during the financial year together with the movement in the provision for outstanding claims.

The provision for outstanding claims comprises the Fund's estimate of the cost of settling all claims incurred but not intimated at the reporting date.

Whilst the trustees consider that gross provisions for claims are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used to value these provisions, and the estimates made, are reviewed regularly.

Administration fees

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

1.9 Current income tax

The normal Botswana tax has not been made 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,1995, the Fund is exempt from income tax.

1.10 Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction cost) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

1.11 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provision is made for estimated outstanding claims incurred during the financial year, which are payable in the succeeding financial year.

1.12 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less from the reporting date. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate method.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Amendment to IFRS 7: Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities

Applicability of the offsetting disclosures to condensed interim financial statements.

The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose '[...] an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The fund has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the fund, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project

Servicing contracts - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

The effective date of the fund is for years beginning on or after 01 January 2016.

The fund has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the fund, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The effective date of the fund is for years beginning on or after 01 January 2016.

The fund has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the fund, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

2.2 Standards and interpretations not yet effective

The fund has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the fund's accounting periods beginning on or after 01 July 2017 or later periods:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the fund are as follows:

Fund as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in surplus or deficit.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in surplus or deficit. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Fund as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The fund expects to adopt the standard for the first time in the 2020 annual financial statements.

The adoption of this standard is not expected to impact on the results of the fund, but may result in more disclosure than is currently provided in the annual financial statements.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The fund expects to adopt the amendment for the first time in the 2019 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the fund, but may result in more disclosure than is currently provided in the annual financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in surplus or deficit.
- With regard to the measurement of financial liabilities designated as at fair value through surplus or deficit, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in surplus or deficit. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through surplus or deficit is presented in surplus or deficit.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

The effective date of the standard is for years beginning on or after 01 January 2018.

The fund expects to adopt the standard for the first time in the 2019 annual financial statements.

The adoption of this standard is not expected to impact on the results of the fund, but may result in more disclosure than is currently provided in the annual financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

The effective date of the standard is for years beginning on or after 01 January 2018.

The fund expects to adopt the standard for the first time in the 2019 annual financial statements.

The adoption of this standard is not expected to impact on the results of the fund, but may result in more disclosure than is currently provided in the annual financial statements.

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The fund expects to adopt the amendment for the first time in the 2018 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the fund, but may result in more disclosure than is currently provided in the annual financial statements.

IFRIC 22: Foreign currency transactions and advance consideration

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

The effective date of the interpretation is for years beginning on or after 01 January 2018.

The fund expects to adopt the interpretation for the first time in the 2019 annual financial statements.

The impact of this interpretation is currently being assessed.

2.3 Standards and interpretations not relevant to the fund's operations

The following standards and interpretations have been published but are not relevant to its operations:

Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project

The amendment clarifies that non-current assets held for distribution to owners should be treated consistently with non-current assets held for sale. It further specifies that if a non-current asset held for sale is reclassified as a non-current asset held for distribution to owners or visa versa, that the change is considered a continuation of the original plan of disposal.

The effective date of the fund is for years beginning on or after 01 January 2016.

The fund does not envisage the adoption of the amendment until such time as it becomes applicable to the fund's operations.

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

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

Amendment to IAS 19: Employee Benefits: Annual Improvements project

The amendment clarifies that when a discount rate is determined for currencies where there is no deep market in high quality corporate bonds, then market yields on government bonds in that currency should be used.

The effective date of the fund is for years beginning on or after 01 January 2016.

The fund does not envisage the adoption of the amendment until such time as it becomes applicable to the fund's operations.

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

Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project

The amendment allows an entity to present disclosures required by paragraph 16A either in the interim annual financial statements or by cross reference to another report, for example, a risk report, provided that other report is available to users of the annual financial statements on the same terms as the interim annual financial statements and at the same time.

The effective date of the fund is for years beginning on or after 01 January 2016.

The fund does not envisage the adoption of the amendment until such time as it becomes applicable to the fund's operations.

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

Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants

The amendment defines bearer plants and include bearer plants within the scope of IAS 16 Property, Plant and Equipment. A bearer plant is defined as a living plant used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. Bearer plants were previously within the scope of IAS 41 Agriculture.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The fund does not envisage the adoption of the amendment until such time as it becomes applicable to the fund's operations.

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

Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption

The amendment clarifies the consolidation exemption for investment entities. It further specifies that an investment entity which measures all of its subsidiaries at fair value is required to comply with the "investment entity" disclosures provided in IFRS 12. The amendment also specifies that if an entity is itself not an investment entity and it has an investment in an associate or joint venture which is an investment entity, then the entity may retain the fair value measurement applied by such associate or joint venture to any of their subsidiaries.

The effective date of the fund is for years beginning on or after 01 January 2016.

The fund does not envisage the adoption of the amendment until such time as it becomes applicable to the annual financial statements's operations.

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

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

IFRS 14 Regulatory Deferral Accounts

The new standard is an interim standard applicable to entities subject to rate regulation. The standard is only applicable to entities adopting IFRS for the first time. It permits entities to recognise regulatory deferral account balances in the statement of financial position. When the account has a debit balance, it is recognised after total assets. Similarly, when it has a credit balance, it is recognised after total liabilities. Movements in these accounts, either in profit or loss or other comprehensive income are allowed only as single line items.

The effective date of the standard is for years beginning on or after 01 January 2016.

The fund does not envisage the adoption of the standard until such time as it becomes applicable to the fund's operations.

It is unlikely that the standard will have a material impact on the fund's annual financial statements.

Amendment to IAS 27: Equity Method in Separate Financial Statements

The amendment adds the equity method to the methods of accounting for investments in subsidiaries, associates and joint ventures in the separate annual financial statements of an entity.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The fund does not envisage the adoption of the amendment until such time as it becomes applicable to the fund's operations.

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

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendment clarifies that a depreciation or amortisation method that is based on revenue that is generated by an activity that includes the use of the asset is not an appropriate method. This requirement can be rebutted for intangible assets in very specific circumstances as set out in the amendments to IAS 38.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The fund does not envisage the adoption of the amendment until such time as it becomes applicable to the fund's operations.

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

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

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

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

The fund does not envisage the adoption of the amendment until such time as it becomes applicable to the fund's operations.

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

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendment to IFRS 4 provides a temporary exemption, allowing insurers to apply IAS 39 rather than IFRS 9. The exemption only applies in certain circumstances and only for annual periods beginning before 1 January 2021.

The exemption also introduces an "overlay approach" in specific circumstances. This approach requires the insurer to reclassify an amount between other comprehensive income and surplus or deficit. This results in the surplus or deficit for designated financial assets being the same as if the insurer had applied IAS 39 rather than IFRS 9.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The fund expects to adopt the amendment for the first time in the 2019 annual financial statements.

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

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendment now specifies the treatment of vesting and non-vesting conditions with regards to cash-settled share-based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity-settled share-based payment transactions. That is, non-market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non-vesting conditions are taken into consideration when determining the fair value of the share based payment liability, both initially and subsequently.

The amendment also provides for share-based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date. The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

The amendment further provides guidance in terms of modifications which convert cash-settled share-based payment transactions to equity -settled share-based payment transactions. For such modifications, the equity-settled share based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash-settled share based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in surplus or deficit.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The fund does not envisage the adoption of the amendment until such time as it becomes applicable to the fund's operations.

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

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the fund:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

Additional guidelines were prescribed for evaluating whether the fund will have sufficient taxable profit in future periods. The fund is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The fund does not envisage the adoption of the amendment until such time as it becomes applicable to the fund's operations.

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

Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments apply to the acquisitions of interest in joint operations. When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, it shall apply, to the extent of its share, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

The effective date of the amendments is for years beginning on or after 01 January 2016.

The fund does not envisage the adoption of the amendments until such time as it becomes applicable to the fund's operations.

It is unlikely that the amendments will have a material impact on the fund's annual financial statements.

IFRS 17: Insurance constracts

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

The effective date of the standard is for years beginning on or after 01 January 2021.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

The fund does not envisage the adoption of the standard until such time as it becomes applicable to the fund's operations.

It is unlikely that the standard will have a material impact on the fund's annual financial statements.

Amendment to IAS 40: Investments Property: Transfers of investment property

These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The fund does not envisage the adoption of the standard until such time as it becomes applicable to the fund's operations.

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

IFRIC 23: Uncertainty over income tax treatments

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

The effective date of the standard is for years beginning on or after 01 January 2019.

The fund does not envisage the adoption of the standard until such time as it becomes applicable to the fund's operations.

It is unlikely that the standard will have a material impact on the fund's annual financial statements.

IFRS 1: First time adoption: Annual improvements 2014 - 2016

The amendment adds the deletion of shortterm exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The fund does not envisage the adoption of the standard until such time as it becomes applicable to the fund's operations.

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

IFRS 12: Disclosure of interest in other entities: Annual improvements 2014 - 2016

The amendment gives clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The fund does not envisage the adoption of the standard until such time as it becomes applicable to the fund's operations.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

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

IAS 28: Investments in associates and joint ventures: Annual Improvements 2014 - 2016

The amendment applies to the measuring of an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The fund does not envisage the adoption of the standard until such time as it becomes applicable to the fund's operations.

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

IFRS 9: General hedge accounting

The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:

- The own credit risk requirements for financial liabilities.
- Classification and measurement (C&M) requirements for financial assets.
- C&M requirements for financial assets and financial liabilities.
- The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).

The effective date of the amendment is for years beginning on or after 01 January 2018.

The fund does not envisage the adoption of the standard until such time as it becomes applicable to the fund's operations.

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

3. Risk management

3.1 Capital risk management

The fund's objectives when managing capital are to safeguard the fund's ability to continue as a going concern in order to provide returns for members of the fund and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The fund's margin of solvency is as follows:		
Total assets	111 006 566	107 694 391
Less: liabilities	(23 072 046)	(25 178 539)
Margin of solvency	**87 934 520**	**82 515 852**

Notes to the Annual Financial Statements

3. Risk management (continued)

3.2 Financial risk management

The fund's activities expose it to a variety of financial risks: Including interest rate risk, credit risk and liquidity risk.

Risk management and investment decisions are made under the guidance and policies approved by the Board of Trustees. Management identifies, evaluates and economically hedges (where appropriate), financial risks associated with the investment portfolio.

3.2.1 Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timely and cost effectively. Liquidity risk management deals with the overall profile of the statement of financial position, the funding requirements of the Fund and cash flows. The Fund's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The maturity profile of non-derivative financial liabilities based on contractual cash flows is as follows:

At 30 June 2017	**Less than 1 year P**	**Between 1 and 2 years P**	**Between 2 and 5 years P**	**Over 5 years P**
Trade and other payables	9 372 046	-	-	-

At 30 June 2016	**Less than 1 year P**	**Between 1 and 2 years P**	**Between 2 and 5 years P**	**Over 5 years P**
Trade and other payables	11 176 641	-	-	-
Bank overdraft	1 898	-	-	-

3.2.2 Interest rate risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of financial instrument fluctuates because of changes in market interest rates. The Fund does not have financial instruments where the fair value changes due to changes in the interest rate.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Fund to cash flow interest rate risk.

The Fund's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements as investments mature. Interest rates applicable to these financial instruments fluctuate with movements in the prime lending rate.

Notes to the Annual Financial Statements

	2017 P	2016 P

3. Risk management (continued)

Market risk sensitivity analysis

Variable rate instruments		
Call accounts maintained at bank	19 893 191	16 228 517

With average call interest rate at 3% (2016: 3% p.a). A change of 50 basis points in the interest rates at the reporting date would have affected the Fund's surplus / (deficit) as shown below:

Increase of 50 basis points		
Variable rate instruments	99 466	81 143
Decrease of 50 basis points		
Variable rate instruments	(99 466)	(81 143)

Credit risk

The financial assets of the Fund which are subject to credit risk consist mainly of cash resources and trade receivables. Cash resources are placed with reputable financial institutions. The Fund has policies to ensure that sales of services are made to customers with appropriate credit history and earnings capacity. The Fund has no significant concentration of credit risk, with exposure spread over a large number of customers. Geographically, trade receivables are concentrated in Botswana.

The Fund establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance is a specific loss component that relates to receivables deemed to be unrecoverable.

The credit risk on liquid funds is limited as counter parties are reputable regulated international banks, organisations and asset managers.

Maximum exposure to credit risk is as follows:

Receivables that are outstanding for less than 30 days are not considered to be past due. As at 30 June 2016, receivables that are past due but not impaired amounted to P 3 240 597 (2016: P 3 635 994).

The age analysis of receivables that are past due but not impaired is given below:

Past due 31 - 60 days	3 240 597	3 635 994

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

As at 30 June 2017, receivables amounting to P 1 222 143 (2016: P 422 956) were neither past due nor impaired. The credit quality of receivables that were neither past due nor impaired is given below:

Group 1	-	-
Group 2	1 222 143	422 956
Group 3	-	-
	1 222 143	**422 956**

Notes to the Annual Financial Statements

3. Risk management (continued)

Key to grouping:
Group 1 - New members
Group 2 - Existing members with no history of default.
Group 3 - Existing members with minor history of default.

Maximum exposure to credit risk on other assets are as follows:

	2017 P	2016 P
Dividends receivable	10 692	-
Other receivables excluding prepayments	312 060	286 579
Trading investments	64 608 077	20 644 189
Cash at bank	41 606 622	82 698 298
Total assets bearing credit risk	**106 537 451**	**103 629 066**

Pula Medical Aid Fund only deposits cash with banks and institutions of high quality credit standing and limits exposure to any one counter-party. The Fund has deposits with First National Bank of Botswana Limited, BancABC Limited, Bank of India Limited, Botswana Investment Fund Managers and Barclays Bank of Botswana Limited. There are no credit ratings available in Botswana.

Foreign currency risk

In the ordinary course of business, the Fund does not enter into significant transactions denominated in foreign currencies and is not exposed to foreign currency risk.

Fair value estimation

The following table presents the fund's assets and liabilities that are measured at fair value:

30 June 2017	Level 1 P	Level 2 P	Level 3 P	Total P
Assets				
Financial assets at fair value through profit or loss				
- Trading securities	64 608 077	-	-	64 608 077

30 June 2016	Level 1 P	Level 2 P	Level 3 P	Total P
Assets				
Financial assets at fair value through profit or loss				
- Trading securities	20 644 189	-	-	20 644 189

Level 1 - Quoted prickes (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to the Annual Financial Statements

	2017 P	2016 P

4. Financial assets at fair value through profit or loss

	2017 P	2016 P
Listed equity securities	64 608 077	20 644 189

Financial assets at fair value through profit or loss, wholly comprise of marketable equity securities listed on the Botswana Stock Exchange. These are fair valued annually and at the close of business on 30 June 2017. For these financial assets traded in active markets, fair value is determined by reference to stock exchange last traded price.

Reconciliation of financial assets at fair value through profit or loss - 2017

	Opening balance	Additions	Fair value loss	Closing balance
Listed equity securities (P)	20 644 189	46 469 462	(2 505 574)	64 608 077

Reconciliation of financial assets at fair value through profit or loss - 2016

	Opening balance	Additions	Fair value loss	Closing balance
Listed equity securities (P)	-	21 718 171	(1 073 982)	20 644 189

5. Trade and other receivables

	2017 P	2016 P
Contributions receivable	5 263 752	4 446 184
Less: Provision for impairment	(801 012)	(387 234)
	4 462 740	4 058 950
Prepayments	6 375	6 375
Sundry receivables	312 060	286 579
Dividends receivable	10 692	-
	4 791 867	**4 351 904**

Contribution receivable is stated at amortised cost less provision for impairment.The impairment loss represents the Board of Trustees' best estimate of the contributions raised and not likely to be recovered.

Fair value of trade and other receivables

	2017 P	2016 P
Trade receivables	4 462 740	4 058 950
Sundry receivables	312 060	286 579
Dividends receivable	10 692	-
	4 785 492	**4 345 529**

Trade and other receivables impaired

The amount of the provision was P (801 012) as of 30 June 2017 (2016: P (387 234)).

The ageing of the impaired receivables is as follows:

	2017 P	2016 P
60 - 90 days	43 036	154 894
More than 90 days	757 976	232 340
	801 012	**387 234**

Notes to the Annual Financial Statements

	2017 P	2016 P

5. Trade and other receivables (continued)

Reconciliation of provision for impairment of trade and other receivables

	2017	2016
Opening balance	387 234	738 390
Additional/(reversal) provision for impairment	413 778	(351 156)
	801 012	**387 234**

6. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include total cash assets less bank overdrafts:

	2017	2016
Bank balances	41 606 622	82 698 298
Bank overdraft	-	(1 898)
	41 606 622	**82 696 400**
Current assets	41 606 622	82 698 298
Current liabilities	-	(1 898)
	41 606 622	**82 696 400**

Surplus funds are retained in both the current account and the call account. The call account bears interest at current commercial bank rates. As there is a right to set-off, the settlement accounts are included in cash and cash equivalents.

The overdraft reflected at the reporting date represents a temporary book balance which arose pending the transfer of funds from the Fund's call account under its standing sweeping facility with the bank.

7. Provision for outstanding claims

Reconciliation of provision for outstanding claims - 2017

	Opening balance	(Decrease)/ Increase	Closing balance
Provision for outstanding claims (P)	14 000 000	(300 000)	13 700 000

Reconciliation of provision for outstanding claims - 2016

	Opening balance	(Decrease)/ Increase	Closing balance
Provision for outstanding claims (P)	19 911 761	(5 911 761)	14 000 000

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 2017.

Notes to the Annual Financial Statements

	2017 P	2016 P

7. Provision for outstanding claims (continued)

Membership growth: Executive option 39% per annum, Standard option -0.13% per annum (2016: 0.24%) and Deluxe option 4% per annum (2016: 2%)
Inflation rate - 3.1% per annum (2016: 3.8%)
Investment return - 2.4% per month (2016: 0.3%)
Assumed bad debts - 0.5% per annum (2016: 0.5%)
Contribution increase - 5% per annum (2016: 9%)

8. Trade and other payables

	2017 P	2016 P
Creditors for claims	2 374 891	1 857 128
Administration fees payable	2 104 687	2 256 828
Contributions received in advance	3 146 770	5 712 566
Other accounts payable	1 745 698	1 350 119
	9 372 046	**11 176 641**

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 values of accounts payable balances approximate their carrying amounts due to their short term nature.

9. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2017

	Loans and receivables	Fair value through profit or loss	Total
Trade and receivables net of impairment (P)	4 462 740	-	4 462 740
Other receivables (excluding prepayments and including dividend receivable) (P)	322 752	-	322 752
Cash and cash equivalents (P)	41 606 622	-	41 606 622
Financial assets at fair value through profit or loss (P)	-	64 608 077	64 608 077
	46 392 114	**64 608 077**	**111 000 191**

2016

	Loans and receivables	Fair value through profit or loss	Total
Trade and receivables net of impairment (P)	4 058 950	-	4 058 950
Other receivables (excluding prepayments) (P)	286 579	-	286 579
Cash and cash equivalents (P)	82 698 298	-	82 698 298
Financial assets at fair value through profit or loss (P)	-	20 644 189	20 644 189
	87 043 827	**20 644 189**	**107 688 016**

Notes to the Annual Financial Statements

	2017 P	2016 P

10. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2017

	Financial liabilities at amortised cost	Total
Trade and other payables (P)	9 372 046	9 372 046

2016

	Financial liabilities at amortised cost	Total
Trade and other payables (P)	11 176 641	11 176 641
Bank overdraft (P)	1 898	1 898
	11 178 539	**11 178 539**

11. Analysis of expenses by nature

	2017 P	2016 P
Claims expenditure	236 688 524	201 872 271
Actuarial consultancy fees	840 750	751 633
Administration fees	16 038 331	15 466 439
Audit fees	313 372	292 472
Bad debts written off	256 712	-
Consultancy fees	43 647	23 354
Fidelity insurance	73 570	98 900
Other administrative expenses	1 847 384	1 639 044
Principal Officer's remuneration	1 262 020	1 257 856
Promotions and advertising	698 426	1 585 787
Provision/(reversal) of impairment of debtors	413 778	(351 155)
Travel insurance	1 239 847	1 205 364
Trustees' fees	1 842 163	1 004 351
Trustees' training	123 515	14 595
Total administrative expenses	**24 993 515**	**22 988 640**
Total expenses	**261 682 039**	**224 860 911**

12. Finance income

	2017 P	2016 P
Interest income on short-term bank deposits	2 103 239	2 696 127

Notes to the Annual Financial Statements

13. Cash generated from operations

	2017 P	2016 P
Surplus before taxation	5 418 668	29 252 247
Adjustments for:		
Dividends income	(1 529 764)	(20 809)
Interest income	(2 103 239)	(2 696 127)
Fair value adjustments on financial assets	2 505 574	1 073 982
Increase/(decrease) in debtors provision	413 778	(351 155)
Movements in provision for outstanding claims	(300 000)	(5 911 761)
Changes in working capital:		
Trade and other receivables	(853 741)	(332 597)
Trade and other payables	(1 804 595)	5 635 694
	1 746 681	**26 649 474**

14. Income tax expense

No provision has been made for income tax 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,1995, the Fund is exempt from income tax.

15. Related parties

Relationships

Management entity	Administrators (AFA)
Key management personnel	Trustees Principal Officer

Related party balances

	2017 P	2016 P
Amounts included in Trade in other payables regarding related parties		
Administrators (AFA)	2 104 687	2 256 828

Related party transactions

	2017 P	2016 P
Fees paid to related parties		
Trustees	1 842 163	1 004 351
Remuneration paid to related parties		
Principal officer	1 262 020	1 257 856
Administration fees paid to related parties		
Administrators	16 038 331	15 466 439

16. Commitments

There were no authorised capital commitments at year end.

17. Contingent liabilities

There were no material contingent liabilities as at the reporting date.

Notes to the Annual Financial Statements

	2017	2016
	P	P

18. Events after the reporting period

There were no events that occurred after the reporting date which would require adjustments to or disclosures in these financial statements.

19. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The best estimate of provisions arising out of critical judgments made by management are given below:

	2017	2016
Assets		
Provision for impairment of doubtful debts	801 012	387 234
Liabilities		
Provision for outstanding claims (IBNR)	13 700 000	14 000 000

Insurance liabilities sensitivity analysis

As opposed to claims for the financial year 2016-2017, that have already paid, the claims for financial year 2016-2017 estimated to be paid are still subject to uncertainty. The table below illustrates the effect of a 10% increase and decrease in this amount.

	Current	10% increase in claims estimated to be paid in future period	10% decrease in claims estimated to be paid in future period
	P	P	P
Provision for outstanding claims	13 700 000	14 249 036	13 068 783

Detailed Income Statement

	Notes	2017 P	2016 P
Income from contributions	1	265 774 746	252 052 178
Claims expenditure	2	(236 688 524)	(201 872 271)
Net contribution surplus		**29 086 222**	**50 179 907**
Dividends income		1 529 764	20 809
Other income		198 532	418 026
Fair value loss on financial assets at fair value through profit or loss		(2 505 574)	(1 073 982)
Administrative expenses			
Actuarial consultancy fees		(840 750)	(751 633)
Administration fees		(16 038 331)	(15 466 439)
Aid for AIDS consultancy		(239 282)	(225 219)
Annual general meeting expenses		(340 248)	(317 932)
Audit fees		(313 372)	(292 472)
Bad debts written off		(256 712)	-
Bank charges		(360 592)	(295 232)
Consultancy fees		(43 647)	(23 354)
Fidelity insurance		(73 570)	(98 900)
Investment portfolio expenses		(173 303)	(174 306)
Member SMS Communication		(111 204)	(21 374)
Postage		-	(75 070)
Principal officer's remuneration		(1 262 020)	(1 257 856)
Principal officer's expenses		(420 076)	(187 935)
Printing and stationery		(74 367)	(224 664)
Promotions and advertising		(698 426)	(1 585 787)
Provision/(reversal) of impairment of debtors		(413 778)	351 155
Subscriptions		(128 312)	(117 312)
Travel insurance		(1 239 847)	(1 205 364)
Trustees' fees		(1 842 163)	(1 004 351)
Trustees' training		(123 515)	(14 595)
		(24 993 515)	**(22 988 640)**
Operating surplus		**3 315 429**	**26 556 120**
Finance income	12	2 103 239	2 696 127
Surplus for the year		**5 418 668**	**29 252 247**

The supplementary information presented does not form part of the financial statements and is unaudited

Notes to Detailed Income Statement

1. Income from contributions

	2017 P	2016 P
Contributions from standard benefit option	21 710 270	24 998 181
Contributions from deluxe benefit option	234 295 405	220 041 843
Contributions from executive benefit option	9 769 071	7 012 154
	265 774 746	**252 052 178**

2. Claims expenditure

Claims benefits		
Claims paid	230 036 109	200 452 576
(Decrease)/Increase in claims provision	(300 000)	(5 911 762)
	229 736 109	**194 540 814**
Other member benefits		
Funeral policy premium	973 933	955 576
Managed care program	1 924 411	1 856 542
Medical evacuation premium	3 701 035	4 177 379
Pathology and radiology fee	353 036	341 960
	6 952 415	**7 331 457**
Total benefits paid	**236 688 524**	**201 872 271**

The supplementary information presented does not form part of the financial statements and is unaudited