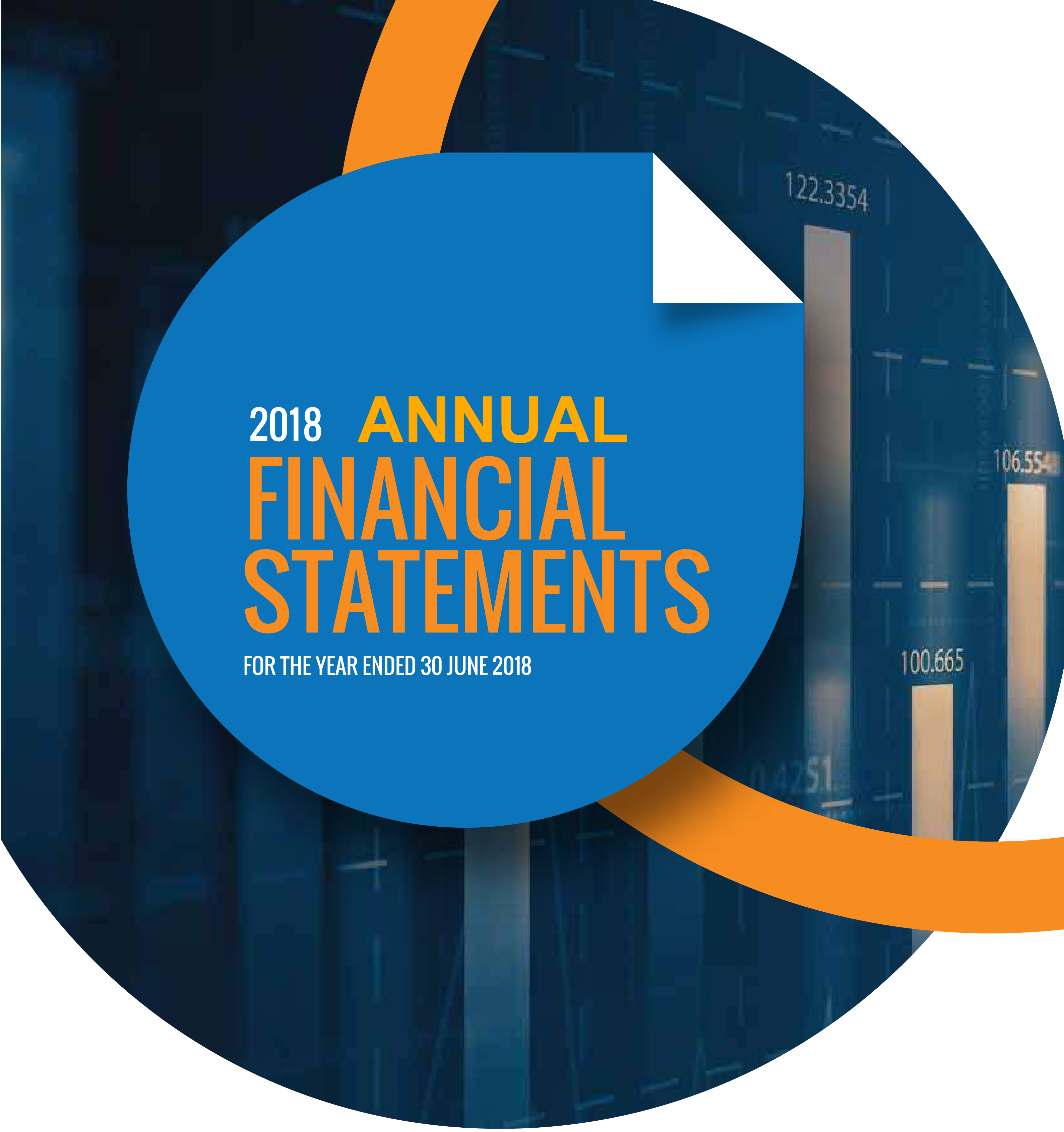

2018 ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Pula

Medical Aid Fund

We care for your health!

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 Anthony Masunga Matlhogonolo Mponang (Resigned April 2018) 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 (Proprietary) Limited
Lawyers	Armstrongs- Attorneys Notaries & Conveyancers

Index

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

Trustees' Responsibilities and Approval Statement

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 8 to 34, which have been prepared on the going concern basis, were approved by the Board of Trustees on 29 October 2018 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 2018.

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.

6. Auditors

PricewaterhouseCoopers continued in office as auditors for the Fund for 2018.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PULA MEDICAL AID FUND

Our opinion

In our opinion, the annual financial statements give a true and fair view of the financial position of Pula Medical Aid Fund (the "Fund") as at 30 June 2018, 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 annual financial statements set out on pages 8 to 32 comprise:

- the statement of financial position as at 30 June 2018;
- 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 annual 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 annual 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 annual 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 information included in the *Pula Medical Aid Fund Annual Financial Statements for the year ended 30 June 2018.* Other information does not include the annual financial statements and our auditor's report thereon.

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

Other information (Continued)

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

In preparing the annual 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 annual 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 annual 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 annual 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.

Auditor's responsibilities for the audit of the annual financial statements (Continued)

- 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 annual 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 annual financial statements, including the disclosures, and whether the annual 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

Individual practicing member: Lalithkumar Mahesan
Registration number: 20030046

30 October 2018
Gaborone

Statement of Financial Position as at 30 June 2018

	Notes	2018 P	2017 P
Assets			
Current Assets			
Financial assets at fair value through profit or loss	4	86 655 713	64 608 077
Trade and other receivables	5	3 819 154	4 791 867
Cash and cash equivalents	6	29 625 813	41 606 622
		120 100 680	**111 006 566**
Equity and Liabilities			
Equity			
Accumulated surplus		93 076 175	87 934 520
Liabilities			
Current Liabilities			
Provision for outstanding claims	7	18 700 000	13 700 000
Trade and other payables	8	8 324 505	9 372 046
		27 024 505	**23 072 046**
Total Equity and Liabilities		**120 100 680**	**111 006 566**

The accounting policies on pages 12 to 15 and the notes on pages 16 to 32 form an integral part of the annual financial statements.

Statement of Comprehensive Income

	Notes	2018 P	2017 P
Income from contributions		291 923 942	265 774 746
Claim expenditure and other member benefits	11	(257 119 382)	(236 688 524)
Net contribution surplus		**34 804 560**	**29 086 222**
Other income		228 473	198 532
Administrative expenses	11	(30 965 398)	(24 993 515)
Operating surplus		**4 067 635**	**4 291 239**
Finance income	12	1 784 197	2 103 239
Fair value loss on financial assets at fair value through profit or loss		(3 883 097)	(2 505 574)
Dividend income		3 172 920	1 529 764
Surplus before taxation		**5 141 655**	**5 418 668**
Taxation	14	-	-
Surplus for the year		**5 141 655**	**5 418 668**
Other comprehensive income		-	-
Total comprehensive income for the year		**5 141 655**	**5 418 668**

The accounting policies on pages 12 to 15 and the notes on pages 16 to 32 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 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 01 July 2017	**87 934 520**	**87 934 520**
Surplus for the year	5 141 655	5 141 655
Other comprehensive income	-	-
Total comprehensive income for the year	**5 141 655**	**5 141 655**
Balance as at 30 June 2018	**93 076 175**	**93 076 175**

The accounting policies on pages 12 to 15 and the notes on pages 16 to 32 form an integral part of the annual financial statements.

Statement of Cash Flows

	Notes	2018 P	2017 P
Cash flows from operating activities			
Cash receipts from members		292 839 915	264 664 293
Cash paid for claims and other benefits and in respect of administrative expenses		(283 847 108)	(262 917 612)
Cash generated from operations	13	8 992 807	1 746 681
Net cash generated from operating activities		**8 992 807**	**1 746 681**
Cash flows from investing activities			
Interest received		1 784 197	2 103 239
Dividend income		3 172 920	1 529 764
Net purchase of financial assets		(25 930 733)	(46 469 462)
Net cash used in investing activities		**(20 973 616)**	**(42 836 459)**
Net decrease in cash and cash equivalents for the year		**(11 980 809)**	**(41 089 778)**
Cash and cash equivalents at the beginning of the year		41 606 622	82 696 400
Total cash and cash equivalents at the end of the year	6	**29 625 813**	**41 606 622**

The accounting policies on pages 12 to 15 and the notes on pages 16 to 32 form an integral part of the annual financial statements.

Significant 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 8 to 32 and the detailed income statement on page 33 and 34 have been approved by the Board of Trustees on 29 October 2018.

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 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 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.

Significant 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.

Significant 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.

Significant 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 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.

1.11 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:

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 has adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

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 2018 or later periods:

IFRS 17: Insurance Contracts

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

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

The Fund expects to adopt the standard for the first time in the 2022 annual financial statements.

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

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.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

- 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 profit or loss.
- 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 profit or loss. 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.
- 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.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

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

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

Amendments to IAS 28: Annual Improvements to IFRS 2014 - 2016 cycle

An entity such as a venture capital organisation, mutual fund or similar institution may elect to measure investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9 rather than by applying the equity method. The amendment to IAS 28 Investments in Associates and Joint Ventures now specifies that the election must be made separately per associate or joint venture and at the time of initial recognition of such investment.

Further, if an entity is not an investment entity, but has interests in an associate or joint venture which is an investment entity, then the entity may retain the fair value measurement of the associate or joint venture. The amendment now provides that such election must be made separately for each investment entity associate or joint venture.

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 1: Annual Improvements to IFRS 2014 - 2016 cycle

The amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards deleted certain short term exemptions concerning disclosures of financial assets, employee benefits and investment entities from IFRS 1.

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 IAS 40: Transfers of Investment Property

The amendment deals specifically with circumstances under which property must be transferred to or from investment property. The amendment now requires that a change in use of property only occurs when the property first meets, or ceases to meet, the definition of investment property and that there is evidence of a change in use. The amendment specifies that a change in management's intentions for use of the property, do not, in isolation, provide evidence of a change in use.

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.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

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.

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

Amendments to IFRS 4: Insurance Contracts

The amendment provides a temporary exemption that permits, but does not require, insurers, under specified criteria, to apply IAS 39 Financial Instruments: Recognition and Measurement, rather than IFRS 9 Financial Instruments for annual periods beginning before 1 January 2021. The exemption is only available provided the insurer has not previously applied any version of IFRS 9 (with some exceptions) and that the activities are predominantly connected with insurance.

A further exemption has been provided from IAS 28 Investments in Associates and Joint Ventures. In terms of the exemption, an insurer is exempt from applying uniform accounting policies when applying the equity method, insofar as the IAS 39/IFRS 9 exemption is applied. Thus, the relevant accounting policies of the associate or joint venture are retained if the entity applies the IFRS9/IAS 39 exemption and the associate or joint venture does not apply the exemption, or visa versa.

The amendment further permits, but does not require, insurers to apply the "overlay approach" to designated financial assets when it first applies IFRS 9. The overlay approach requires the entity to reclassify between profit or loss and other comprehensive income, an amount which results in the profit or loss of the designated financial assets at the end of the reporting period being equal to what it would have been had IAS 39 been applied to the designated financial assets.

Additional disclosures are required as a result of the amendment.

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 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 profit or loss. This results in the profit or loss 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.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

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 profit or loss.

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 amendment will not have any impact on the Fund's 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 amendment will not have any impact on the Fund's 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.

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 profit or loss.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, 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 profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- 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 new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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.

It is unlikely that the standard will have a material impact on the Fund's 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.

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 standard will not have any impact on the Fund's annual financial statements.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

Amendment to IFRS 9: Financial Instruments

The narrow-scope amendment covers two issues:

- The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities.
- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

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

The Fund expects to adopt the amendment for the first time in the 2020 annual financial statements.

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

Amendment to IAS 28: Investment in associates and joint ventures

The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

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

The Fund expects to adopt the amendment for the first time in the 2020 annual financial statements.

This amendment will not have any impact on the Fund's annual financial statements.

Amendments to IFRS 3: Annual Improvements to IFRS 2015 - 2017 cycle

a Company remeasures its previously held interest in a joint operation when it obtains control of the business.

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

Amendments to IFRS 11: Annual Improvements to IFRS 2015 - 2017 cycle

a Company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

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

Amendments to IAS 12: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

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

Amendments to IAS 23: Annual Improvements to IFRS 2015 - 2017 cycle

a Company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

Notes to the 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.

	2018 P	2017 P
The fund's margin of solvency is as follows:		
Total assets	120 100 680	111 006 566
Less: liabilities	(27 024 505)	(23 072 046)
Margin of solvency	**93 076 175**	**87 934 520**

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.

Notes to the Annual Financial Statements

3. Risk management (continued)

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

At 30 June 2018	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	8 324 505	-	-	-

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	-	-	-

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.

Market risk sensitivity analysis

Variable rate instruments		
Call accounts and fixed deposit maintained at bank	29 625 813	41 606 622

With average call interest rate at 2.5% (2017: 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	111 096	99 466
Decrease of 50 basis points		
Variable rate instruments	(111 096)	(99 466)

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.

Notes to the Annual Financial Statements

	2018	2017
	P	P

3. Risk management (continued)

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 2018, receivables that are past due but not impaired amounted to P 1 779 509 (2017: P 3 240 597).

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

	2018	2017
Past due 31 - 60 days	**1 779 509**	**3 240 597**

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 2018, receivables amounting to P 1 767 258 (2017: P 1 222 143) were neither past due nor impaired. The credit quality of receivables that were neither past due nor impaired is given below:

	2018	2017
Group 1	-	-
Group 2	1 767 258	1 222 143
Group 3	-	-
	1 767 258	**1 222 143**

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:

	2018	2017
Dividend receivable	-	10 692
Other receivables excluding prepayments	266 012	312 060
Investments	24 396 798	24 485 316
Cash at bank	34 946 430	41 606 622
Total assets bearing credit risk	**59 609 240**	**66 414 690**

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 Management (Proprietary) Limited 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:

Notes to the Annual Financial Statements

	2018 P	2017 P

3. Risk management (continued)

30 June 2018	Level 1 P	Level 2 P	Level 3 P	Total P
Assets				
Financial assets at fair value through profit or loss				
- Listed equity securities and listed bonds	62 258 915	-	-	62 258 915
- Deposits held at bank	-	24 396 798	-	24 396 798
	62 258 915	**24 396 798**	-	**86 655 713**

30 June 2017	Level 1 P	Level 2 P	Level 3 P	Total P
Assets				
Financial assets at fair value through profit or loss				
- Listed equity securities	40 122 761	-	-	40 122 761
- Deposits held at bank	-	24 485 316	-	24 485 316
	40 122 761	**24 485 316**	-	**64 608 077**

Level 1 - Quoted prices (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).

4. Financial assets at fair value through profit or loss

	2018 P	2017 P
Investments	86 655 713	64 608 077

Financial assets at fair value through profit or loss, wholly comprise of marketable equity securities listed and listed bonds on the Botswana Stock Exchange and deposits held at banks. These are fair valued annually and at the close of business on 30 June 2018. For these financial assets traded in active markets, fair value is determined by reference to stock exchange last traded price. The carrying value of the deposits held at bank at the reporting date represents their fair value.

Notes to the Annual Financial Statements

	2018	2017
	P	P

4. Financial assets at fair value through profit or loss (continued)

Reconciliation of financial assets at fair value through profit or loss - 2018

	Opening balance	Additions	Withdrawels	Fair value loss	Closing balance
Investments (P)	64 608 077	41 505 033	(15 574 300)	(3 883 097)	86 655 713

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

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

4.1 Investments

	2018	2017
Listed equity	50 092 455	40 122 761
Deposits held at bank	24 396 798	24 485 316
Listed bonds	12 166 460	-
	86 655 713	**64 608 077**

5. Trade and other receivables

	2018	2017
Contributions receivable	8 004 274	5 263 752
Less: Provision for impairment	(4 457 507)	(801 012)
	3 546 767	4 462 740
Prepayments	6 375	6 375
Sundry receivables	266 012	312 060
Dividends receivable	-	10 692
	3 819 154	**4 791 867**

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

	2018	2017
Trade receivables	3 546 767	4 462 740
Sundry receivables	266 012	312 060
Dividends receivable	-	10 692
	3 812 779	**4 785 492**

Trade and other receivables impaired

The amount of the provision was P (4 457 507) as of 30 June 2018 (2017: P (801 012)).

The ageing of the impaired receivables is as follows:

	2018	2017
60 - 90 days	1 657 650	43 036
More than 90 days	2 799 857	757 976
	4 457 507	**801 012**

Notes to the Annual Financial Statements

	2018 P	2017 P

5. Trade and other receivables (continued)

Reconciliation of provision for impairment of trade and other receivables

	2018 P	2017 P
Opening balance	801 012	387 234
Additional provision for impairment	3 656 495	413 778
	4 457 507	**801 012**

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:

	2018 P	2017 P
Bank balances	29 625 813	41 606 622

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 - 2018

	Opening balance	(Decrease)/ Increase	Closing balance
Provision for outstanding claims (P)	13 700 000	5 000 000	18 700 000

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

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 following are key assumptions used in the computation of claims which were incurred but not reported (IBNR) as at 30 June 2018.

Membership growth: Executive option 40% (2017: 39%) per annum, Standard option 7% per annum (2017: 0.13%) and Deluxe option 6% per annum (2017: 4%), Maxi option - 100%, Flexi - 100%.
Inflation rate - 3.6% per annum (2017: 3.1%)
Investment return - 4.75% per month (2017: 2.4%)
Assumed bad debts - 1.6% per annum (2017: 0.5%)
Contribution increase - 9.8% per annum (2017: 5%)

Notes to the Annual Financial Statements

	2018	2017
	P	P

8. Trade and other payables

	2018	2017
Creditors for claims	2 049 391	2 374 891
Administration fees payable	2 829 981	2 104 687
Contributions received in advance	1 936 214	3 146 770
Other accounts payable	1 508 919	1 745 698
	8 324 505	**9 372 046**

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:

2018

	Loans and receivables	Fair value through profit or loss	Total
Trade and other receivables net of impairment (P)	3 546 767	-	3 546 767
Other receivables (excluding prepayments and including dividend receivable) (P)	266 012	-	266 012
Cash and cash equivalents (P)	29 625 813	-	29 625 813
Financial assets at fair value through profit or loss (P)	-	86 655 713	86 655 713
	33 438 592	**86 655 713**	**120 094 305**

2017

	Loans and receivables	Fair value through profit or loss	Total
Trade and other 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**

Notes to the Annual Financial Statements

	2018 P	2017 P

10. Financial liabilities by category

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

2018

	Financial liabilities at amortised cost	Total
Trade and other payables (P)	8 324 505	8 324 505

2017

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

11. Analysis of expenses by nature

	2018 P	2017 P
Claims expenditure	257 119 382	236 688 524
Consultancy fees	1 359 557	1 092 072
Administration fees	16 821 848	16 038 331
Audit fees	248 966	313 372
Bad debts written off	-	256 712
Legal fees	372 425	31 607
Fidelity insurance	65 408	73 570
Other administrative expenses	2 767 375	1 596 062
Principal Officer's remuneration	1 427 020	1 262 020
Promotions and advertising	990 341	698 426
Provision for impairment of debtors	3 656 495	413 778
Travel insurance	1 290 779	1 239 847
Trustees' fees	1 527 954	1 842 163
Trustees' training	58 420	123 515
Total administrative expenses	**30 965 398**	**24 993 515**
Total expenses	**288 084 780**	**261 682 039**

12. Finance income

	2018 P	2017 P
Interest income on short-term bank deposits	1 784 197	2 103 239

Notes to the Annual Financial Statements

	2018 P	2017 P

13. Cash generated from operations

Profit before taxation	5 141 655	5 418 668
Adjustments for:		
Dividend income	(3 172 920)	(1 529 764)
Interest income	(1 784 197)	(2 103 239)
Fair value loss on financial assets at fair value through profit or loss	3 883 097	2 505 574
Increase/(decrease) in debtors provision	3 656 495	413 778
Increase/(decrease) in provision for outstanding claims	5 000 000	(300 000)
Changes in working capital:		
Increase in trade and other receivables	(2 683 782)	(853 741)
Increase in trade and other payables	(1 047 541)	(1 804 595)
	8 992 807	**1 746 681**

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

Amounts included in Trade in other payables regarding related parties		
Administrators (AFA)	2 691 793	2 104 687

Related party transactions

Fees paid to related parties		
Trustees	1 527 955	1 842 163
Remuneration paid to related parties		
Principal officer	1 427 020	1 262 020
Administration fees paid to related parties		
Administrators	16 821 848	16 038 331

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

	2018	2017
	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:

	2018	2017
Provision for impairment of doubtful debts	4 457 507	801 012
Provision for outstanding claims (IBNR)	18 700 000	13 700 000

Insurance liabilities sensitivity analysis

As opposed to claims for the financial year 2017-2018, that have already incurred, the claims for financial year 2017-2018 incurred but not yet reported and estimated to be payable in 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	18 700 000	20 570 000	16 830 000

Detailed Income Statement

	Notes	2018 P	2017 P
Income from contributions	1	291 923 942	265 774 746
Claims expenditure and other member benefits			
Purchases		(252 449 556)	(232 279 027)
Cost of manufactured goods		(732 097)	(708 462)
Discount received		(3 937 729)	(3 701 035)
		(257 119 382)	**(236 688 524)**
Net contribution surplus		**34 804 560**	**29 086 222**
Other income		228 473	198 532
Administrative expenses			
Actuarial consultancy fees		(657 202)	(840 750)
Administration fees		(16 821 848)	(16 038 331)
Aid for AIDS consultancy		(289 732)	(239 282)
Annual general meeting expenses		(350 373)	(340 248)
Audit fees		(248 966)	(313 372)
Bad debts written off		-	(256 712)
Bank charges		(466 497)	(360 592)
Business review and design project		(377 485)	-
Consultancy fees		(412 623)	(12 040)
Donations		(60 000)	-
Fidelity insurance		(65 408)	(73 570)
Investment portfolio expenses		(515 660)	(173 303)
Legal fees		(372 425)	(31 607)
Member SMS Communication		(95 138)	(111 204)
Optical benefits management		(341 170)	-
Principal officer's expenses		(323 488)	(420 076)
Principal officer's remuneration		(1 427 020)	(1 262 020)
Printing and stationery		(80 881)	(74 367)
Promotions and advertising		(990 341)	(698 426)
Provision for impairment of debtors		(3 656 495)	(413 778)
Subscriptions		(535 493)	(128 312)
Travel insurance		(1 290 779)	(1 239 847)
Trustees' fees		(1 527 954)	(1 842 163)
Trustees' training		(58 420)	(123 515)
		(30 965 398)	**(24 993 515)**
Operating surplus		**4 067 635**	**4 291 239**
Finance income	12	1 784 197	2 103 239
Fair value loss on financial assets at fair value through profit or loss		(3 883 097)	(2 505 574)
Dividend income		3 172 920	1 529 764
Surplus for the year		**5 141 655**	**5 418 668**

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

Notes to Detailed Income Statement

1. Income from contributions

	2018 P	2017 P
Contributions from standard benefit option	21 190 088	21 710 270
Contributions from deluxe benefit option	253 723 050	234 295 405
Contributions from executive benefit option	14 069 156	9 769 071
Contributions from galaxy benefit option	2 721 791	-
Contributions from flexi benefit option	219 857	-
	291 923 942	**265 774 746**

2. Claims expenditure and other member benefits

Claims benefits		
Claims paid	244 735 577	230 036 109
Increase/(Decrease) in claims provision	5 000 000	(300 000)
	249 735 577	**229 736 109**
Other member benefits		
Funeral policy premium	1 018 876	973 933
Managed care program	2 060 910	1 924 411
Medical evacuation premium	3 937 729	3 701 035
Pathology and radiology fee	366 290	353 036
	7 383 805	**6 952 415**
Total claims expenditure and other member benefits	**257 119 382**	**236 688 524**

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