



Medical Aid Fund

We care for your health!

PULA ANNUAL GENERAL MEETING REPORT

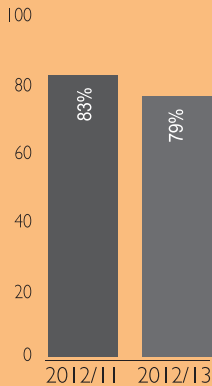
FOR THE FINANCIAL YEAR
2012/13

HELD 10 DECEMBER 2013

HIGHLIGHTS

How we performed in 2012/13

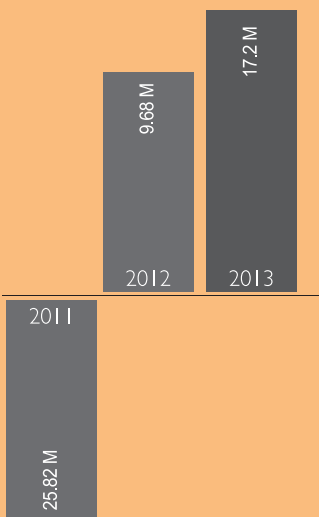
Claims Ratio



Claims Ratio have declined by 4%

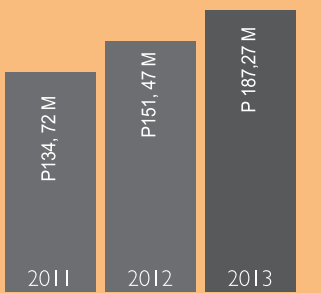
Operating Surplus

(in millions/pula)



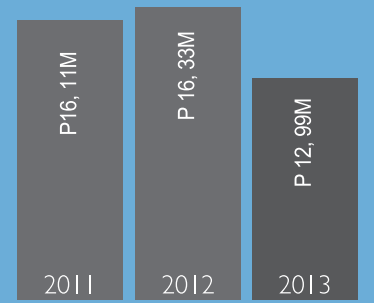
Contribution income

(in millions/pula)



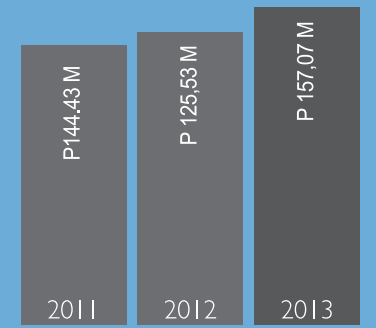
Administrative Expenses

(in millions/pula)

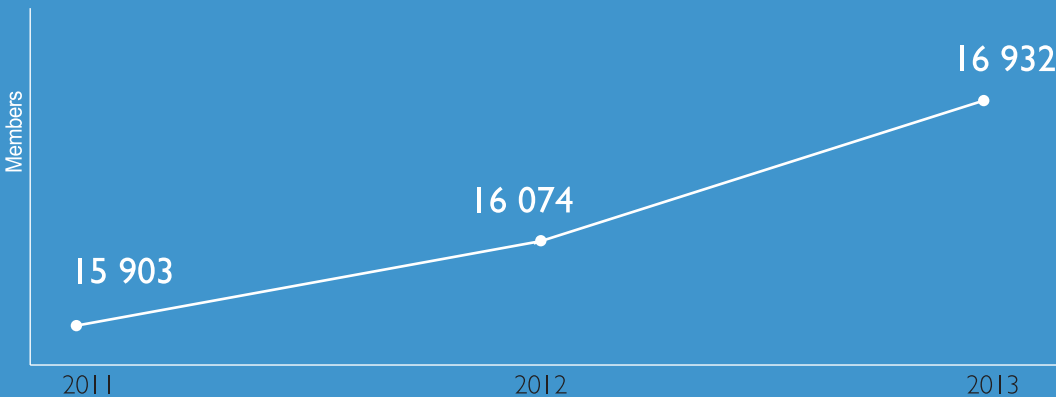


Benefits Paid

(in millions/pula)



Membership



1	APPOINTMENT OF PROXY FORM	Pg 1
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If you cannot attend the Annual General Meeting of the Pula Medical Aid Fund to be held on the 10th December 2013 at 08:30 am at Cresta Lodge, Gaborone, and you are entitled to vote at the Annual General Meeting, you may appoint a proxy to vote on your behalf. This proxy only applies to the Annual General Meeting, and any adjournment of that meeting.

A. YOUR DETAILS

FULL NAMES
MEMBERSHIP NO
POSTAL ADDRESS
EMAIL ADDRESS

MOBILE / CELL
DATE
SIGNATURE

B. WHO DO YOU WANT TO APPOINT AS YOUR PROXY

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

☐

Chair of the Annual General Meeting

If you appoint the Chair as your proxy, and direct the Chair on how to vote, the Chair must call a poll on that vote and must vote the way you direct.

OR

☐

The following person

A. YOUR DETAILS

FULL NAMES
MEMBERSHIP NO
POSTAL ADDRESS
EMAIL ADDRESS

Only tick the appropriate box if you want to direct your proxy how to vote. If you mark the ABSTAIN box, you are directing your proxy not to vote at the Annual General Meeting and your vote will not be counted when calculating whether the required majority of members have passed the resolution.

ITEM 1: Adoption of the Audited Financial Statements for the year ended 30 June 2013

☐ YES

☐ NO

☐ ABSTAIN

ITEM 2: Re-appointment of PricewaterhouseCoopers as the Fund's external auditors for the financial year 2013/14

☐ YES

☐ NO

☐ ABSTAIN

The instrument appointing the proxy must be deposited at the office of the Administrators of the Fund at the under mentioned address; not later than 24hrs before the time for holding the Annual General Meeting.

AFA House, Plot 61918, Showgrounds Office Park, P O Box 1212, Gaborone, Tel: 365 0500, Fax: 3954465

1. NOTICE AND CONSTITUTION OF THE MEETING
2. APOLOGIES FOR NON-ATTENDANCE
3. CHAIRMAN'S OPENING REMARKS
4. CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 05 JULY 2013
- 4.1 Matters Arising from the Minutes of the Annual General Meeting Held on 05 July 2013
5. RECEIPT AND ADOPTION OF THE BOARD OF TRUSTEES REPORT TO THE MEMBERS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2013
6. RECEIPT AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013
7. RATIFICATION OF THE APPOINTMENT OF EXTERNAL AUDITORS
8. ANY OTHER BUSINESS
9. DATE OF THE NEXT MEETING
10. CLOSURE

PER: DUNCAN THELA - AFA BOTSWANA (PTY) LTD (ADMINISTRATORS)

BY ORDER OF THE BOARD OF TRUSTEES

A member who is not able to attend the AGM may appoint another member as their Proxy; to attend and vote on his/her behalf. A Proxy Form is attached for purposes of such an appointment. Please note that the completed Proxy Form should be delivered to the Administrators of the Fund 48 hours before the time for holding the AGM.



Peter D Stevenson
Chairman

During the financial year ended 30 June 2013 the Pula Medical Aid Fund ("the Fund") continued to improve its financial and operational performance despite a highly competitive and almost saturated medical aid market. The slow recovery of both the local and global economies continued to have a negative impact on some of the employer groups that are or were members of Fund. This phenomenon created some uncertainty with regard to continued growth of the Fund.

Notwithstanding the above, I am happy to report that the Fund recorded a surplus of P17.2m as at June 2013.

During the year under review the Fund continued to implement initiatives from the short-term turnaround strategy, health risk management and cost containment interventions in order to ensure continued recovery of the Fund, its sustenance and ability to meet all its obligations. The implementation of the risk based pricing model also ensured better alignment between member monthly contribution and benefit utilization and thus mitigated against high claims ratios. The average claims ratio during year 2012/13 was 79% compared to 83% recorded in the prior year, whilst membership grew by 5.34%.

"I am happy to report that the Fund recorded a comprehensive surplus of P17.2m as at June 2013"

Governance

In view of resignations of some Trustees, key employer groups have been approached to nominate representatives to the Fund's Board of Trustees ("the Board") and these are undergoing screening by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA). This was also done to attain a balance between Independent and key employer representative members of the Board.

In line with best practice, the Board continues to be guided by the Fund's Trust Deed, Rules, Board Charter and Code of Ethics and Conduct in its endeavors.

Regulation

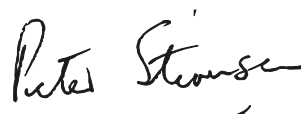
Although NBFIRA has not as yet developed prudential rules for medical aid schemes, it has started implementing some degree of regulation of medical aid schemes. The Fund is now required to submit operational and financial performance reports, as well as audited financial statements to NBFIRA. In addition, all new Board appointments/nominees and senior management of the Administrators are to be screened by NBFIRA prior to confirmation.

Looking Ahead

The Fund has improved its solvency margin and must continue to explore avenues to build-up reserves to enable it to remain sustainable so as to meet all and any of its obligations. This will call for more customer centric service provision and continuous process improvement leveraging information and communication technology as well as ensuring that the Fund's corporate strategies and rules are routinely reviewed and amended to enable agile, pro-active, dynamic and timely response by the Fund to market forces.

I would like to urge members and service providers alike to continually update their contact details with the Fund in order to facilitate easier communications and increase their ability to utilize the technologies that have been and are in the process of being implemented.

In conclusion, I would like to thank the Trustees and the Administrators for their commitment and hard work which has contributed positively to the operational and financial performance of the Fund.



Peter D Stevenson
Chairman

I. PRESENT

I.1. Board of Trustees

P D Stevenson	-	Chairman
M Mothibatsela	-	Vice-Chairman
B Motubudi	-	Trustee
T Moumakwa	-	Trustee
K Mabogo	-	Trustee
G Siamisang	-	Alternate Trustee

I.2. Members

138 Members were present, 55 in person and 83 by proxy. The attendance register is appended hereto as Appendix A.

2. IN ATTENDANCE

2.1. Administrators – Associated Fund Administrators Botswana (Pty) Ltd

D Thela	-	Managing Director
D Mongudi		
M Matome		
S Senwelo		
M Isaacs		
G Moagi		
P Rammidi		
S Hlope		
D Baliki	-	Recording

2.2. KPMG (Auditors 2010/11)

M Sibanda

2.3. PricewaterhouseCoopers (Auditors 2011/12)

E Edirisinghe

The meeting was called to order at 08:45.

3. NOTICE AND CONSTITUTION OF THE MEETING

The notice of the meeting having been duly circulated was taken as read and approved on a proposal by T van Niekerk, seconded by C Masole. A quorum being present, the Chairman declared the meeting duly constituted.

4. APOLOGIES FOR NON-ATTENDANCE

Apologies were noted in respect of Dr B Thihe and M Pelaelo on the part of the Board of Trustees, and on the part of the members K Williams.

5.ADOPTION OF THE AGENDA

The agenda was adopted as circulated on a proposal by **T van Niekerk**, seconded by **M Coangae**.

6. CHAIRMAN'S OPENING REMARKS

The Chairman welcomed all present to the meeting. He highlighted the peculiarity of the Annual General Meeting (AGM) as it was covering issues for two (2) financial years that is; 2011 and 2012. He pointed out that the Fund was not able to hold AGM's for the past two (2) years owing to the sequestration of the Bokamoso Private Hospital Trust (BPHT), which was initiated in 2011 and the protracted finalisation thereof. As a consequence, the Fund was not able to conclude external audits and finalise the financial statements for the two (2) reporting periods.

The Chairman concluded by referring members to his foreword contained under page 3 of the Report to the Members, highlighting among others the financial position of the Fund and the impending changes in the regulatory framework of the medical aid schemes following the establishment of the Non-Bank Financial Institutions Regulatory Authority.

7. CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 10 DECEMBER 2010

The minutes of the 2010 AGM were taken as read. With the absence of corrections, the minutes were adopted as a true and correct record of the proceedings, on a proposal by **T van Niekerk**, seconded by **M Coangae**.

7.1. Matters Arising

7.1.1. Update on the Availability of Statements on the Internet: Minute 8.1

The Chairman reported that members were through the web-portal able to access their statements and view account transaction on the internet.

7.1.2. Update on the Rules Review Process: Minute 8.2

The Chairman reported that a Special General Meeting of the members was held on 21 October 2011 wherein members approved the proposed Rule amendments. The Rules had since been implemented effective 01 July 2012.

8. CONFIRMATION OF THE MINUTES OF THE SPECIAL GENERAL MEETING HELD ON 21 OCTOBER 2011

The minutes of the 2010 AGM were taken as read. With the absence of corrections, the minutes were adopted as a true and correct record of the proceedings, on a proposal by **T van Niekerk**, seconded by **M Coangae**.

8.1. Matters Arising

8.1.1. Update on the Possibility of Incentivising Members for Low Benefit Utilisation: Minute 9.5

The Chairman reported that incentivising of members for low utilisation was not financially practicable during the reporting periods due to the significant negative financial impact of the BPHT sequestration on the Fund. That notwithstanding, the Fund will continue to look for ways to incentivise members for low benefit utilisation.

8.1.2. Update on the Implementation of Risk Based Pricing: Minute 9.6

The Administrators reported that effective 01 July 2012; the Fund implemented Risk Based Pricing Model (RBP) that is limited to age considerations (adult versus child) with a view to introducing differential pricing post assessment of the outcomes of the RBP implementation.

8.1.3. Update on the Implementation Date of the Approved Rule Amendments: Minute 10

The Chairman reported that the implementation of the revised Rules commenced on 01 July 2012.

9. RECEIPT AND ADOPTION OF THE BOARD OF TRUSTEES REPORT TO THE MEMBERS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2011 AND 30 JUNE 2012

The Chairman presented the salient features of the Report contained on pages 23 to 28 as follows:

9.1. General Overview

The financial years under review were a difficult period for the Fund. The sequestration of the BPHT resulted in a significant write-off of P57.2m, which impacted negatively on the Fund's solvency. In addition, the high claims ratio (101%) resulted in operating deficits of P25.82m as at 30 June 2011. However, as at 30 June 2012, the Fund recorded a net surplus of P9.68m.

Membership decreased by 0.4% as at 30 June 2011 to 15 903, but improved by 1.1% to 16 074 as at 30 June 2012.

9.2. Analysis of Financial Results

9.2.1. Contribution Income and Administrative Expenses

Contribution income stood at **P134 716 059** and **P151 474 142**, for the years ended 2011 and 2012, respectively. Administration expenses on the other hand stood at **P20 258 912** and **P21 657 235** for the years ended 2011 and 2012, respectively.

9.2.2. Claims Costs

Between the two (2) financial years under review claims cost decreased by **6.7%** from **P135.41m** to **P126.27m** mainly due to health risk management interventions put in place following the implementation of the Turnaround Strategy adopted by the Board of Trustees in October 2011.

9.2.3. Investment Income

Total finance income as at 30 June 2012 stood at **P9.36m** compared to **P0.46m** recorded the previous year.

9.2.4. Net Surplus

As stated above, the Fund recorded a net operating deficit in 2011 of P25.82m, but recovered in 2012 to record a net operating surplus of P9.68m.

The Fund's solvency was negative 11% and negative 0.95% as at 30 June 2011, and 30 June 2012, respectively.

9.3. Other Matters

9.3.1. Bokamoso Private Hospital Trust (BPHT)

The BPHT was placed under sequestration in 2011. In October 2012, the Creditors (including PULA) approved a compromise settlement offer from the Provisional Trustees of the BPHT (in Sequestration) for debt payment at the rate of **P0.25 for every P1.00 (25%)** owed.

The BPHT was indebted to the Fund in the sum of **P16m** arising out of and in connection with loan advancements received by the BPHT from commercial banks and which PULA was required to make good on demand as guarantor. In addition, the settlement would NOT include repayment of the Fund's investment in the BPHT which was **P41.2m**. The Fund's investment and the guarantees totaled **P57.2m**.

The BPHT (in Sequestration) Trustees paid PULA, in December 2012, **P3.68m**; representing **23%** dividend. The final payment (**2%**) was expected during the financial year 2012/13.

9.3.2. Balance Billing

The Fund will continue direct payments arrangements to service providers implementing Balance Billing subject to payments being made in accordance with the Fund's recognised tariffs and Rules.

9.3.3. Information Technology

The Fund rolled-out web-access in December 2011 to enable members to access their accounts on the Fund's website. The Fund also introduced Electronic Data Interchange (EDI) for the submission of claims by service providers. That enabled real-time claims processing from pharmacies.

9.4. Conclusion

The Board of Trustees was of the view, based on the 2012 performance and recent Management Accounts; that the financial and operational performance of the Fund will continue to improve.

9.5. Comments

No comments were received from the members.

9.6. Adoption of the Report

On a proposal by **T van Niekerk**, seconded by **M Isaacs** the members adopted the Report for the financial years ended 30 June 2011 and 30 June 2012.

10. RECEIPT AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The members were referred to the Audited Financial Statements (AFS) for the year ended 30 June 2011 (which for purposes of reporting at the meeting were provided as a comparative to the 2012 Annual Financial Statements); on pages **30 to 39** of the Report. The Administrators provided a summary of the Report and concluded by reporting that the external auditor, KPMG, had issued an unqualified statement with respect to the AFS.

With no questions or comments from the members, the Audited Financial Statements for the year ended 30 June 2011 were adopted following a proposal by **S Hlope**, seconded by **T van Niekerk**.

11. RECEIPT AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The members were referred to the Audited Financial Statements (AFS) for the year ended 30 June 2012 on pages **30 to 39** of the Report. The Administrators provided a summary of the Report and concluded by reporting that the external auditor, PricewaterhouseCoopers, had issued an unqualified statement with respect to the AFS.

With no questions or comments from the members, the Audited Financial Statements for the year ended 30 June 2012 were adopted following a proposal by **T Moumakwa**, seconded by **N Mhlanga**.

12. RE-APPOINTMENT OF THE EXTERNAL AUDITOR

PricewaterhouseCoopers (PwC) were appointed the external auditor of the Fund for the financial year 2012/13 and to hold office from the conclusion of this AGM until the conclusion of the next AGM following a proposal by **T van Niekerk**, seconded by **M Coangae**.

13. ANY OTHER BUSINESS

13.1. Bokamoso Private Hospital Trust – Dividend Pay-Out

I Golakai requested clarification on the dividend pay-out following sequestration.

The Administrators advised that the BPHT owed the Fund a total of **P57.2m; P41.2m** of that was the Fund's investment as a partner with BPOMAS, and **P16m** was the amount that PULA stood as surety (guarantor) against a loan advancement obtained by the BPHT with commercial banks for operational purposes.

13.2. Incentive Bonuses

T Kababi with reference to page **13**; and specifically the action item on incentivising members for low benefit utilisation enquired whether the Fund will at any stage have incentive bonus schemes for low utilisation of benefits by members.

The Administrators advised that with resources allowing the Fund may develop and implement incentive bonus schemes/packages.

13.3. Bokamoso Private Hospital Trust and the Fund

T van Niekerk encouraged members to use the BPHT more so given the superb state of the facility. She concluded by thanking the Board of Trustees and the Administrators for making PULA a reputable medical aid fund.

13.4. Contribution Increase

I Golakai pleaded that the Fund should not increase member contribution this financial year.

The Administrators advised that contribution increase ordinarily followed tariff increases by service providers, and the increase of 8% was implemented on 01 July 2013 was essentially an inflationary adjustment.

13.5. Over-Charging by Service Providers – Drug Pricing

B Rabantheng expressed dissatisfaction at over-charging by some service providers especially with relation to drug pricing and called on the Fund to intervene.

The Administrators explained that the Fund applied a Generic Pricing Reimbursement Model. They explained that in the market there were two (2) kinds of drugs: Brand and Generic. The Brand was more expensive than the Generic Drug but would have the same effect. The Fund; through periodic price review, pays up to the average of the two (2) types of drugs to ensure that members are adequately covered.

14. DATE OF THE NEXT MEETING

The date of the next AGM, which is to be held in December 2013, will be duly communicated.

15. ADJOURNMENT

There being no further business, the meeting was adjourned at **09:41**.

Verified and Signed by the Chairman on this _____ day of _____ 2013

Peter D Stevenson

APPENDIX A

ATTENDANCE REGISTER: AGM 05 JULY 2013

1	O Modibedi	21	J Buno	41	J Malope
2	B Lekwape	22	N Thumpa	42	J I Mabreabe*
3	C Mathape	23	B Ngwenya	43	E K Motlhasedi
4	M Molefe	24	J Molefe	44	G Moilwa
5	C Masole	25	H G Tayatissa	45	E Molatlhwa*
6	G Hule	26	I D Golakai	46	C Mogomotsi
7	P Gaebuse	27	O S Kgosiemang	47	T Kababi
8	E Mmoleki	28	B Dumelang	48	B Modungwa
9	T Kgetlwe	29	B Sempe	49	B Bafitlhile
10	I Letang	30	I Mophuting	50	M Otlhagile
11	T Maramba	31	P Motshegwa	51	B Rabantheng
12	B Ngala	32	D Motalaote	52	N Maranyane
13	L Renewang	33	T van Niekerk	53	I Moloi
14	K Rateisi	34	G Moilwa	54	L Mokolwane
15	V Bono	35	A Moyo	55	Mr M Coangae
16	N Samu	36	C Lesedi		
17	D G Mokgatle	37	M Puso		
18	O P Mathala	38	N Mhlanga		
19	E Gabopye	39	B Motshweneng		
20	G Mooketsi	40	M Tladi		

PROXIES

#	PROXY	No
1	P D Stevenson	45
2	G Moagi	13
3	B Sempe	3
4	N Tumpa	21
5	E Mmerekhi	1
	TOTAL	83

BOARD OF TRUSTEES REPORT TO THE MEMBERS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1. Introduction

On behalf of the Board of Trustees (Board) of Pula Medical Aid Fund (PULA) I would like to present the 22nd Annual Report to the members. The report covers the financial and operational performance of PULA for the financial year 2012/13 and other key developments.

2. General Overview

During the financial year under review the Fund was able to internally generate enough cash-flows and was able to meet all its obligations without needing to liquidate any investments. **The claims ratio decreased to 79% from the previous year's figure of 83% as a result of health risk management interventions and other cost containment interventions that were implemented during the year.** Members are encouraged to continue to prudently use their benefits.

The Fund recorded an operating surplus of P17.12m; representing a 78% increase when compared with the P9.68m recorded in the prior year. This largely due to the implementation of Risk Based Pricing Model and 12.5% increase in gross member contributions implemented in July 2013, membership growth, 20% reduction in operating expenses and implementation of Health Risk Management interventions. The latter afforded members access to cost effective healthcare interventions without negatively affecting their clinical outcomes.

The solvency margin of the Fund improved from a negative 0.95% as at June 2012 to 8.37% as at June 2013. Members may recall that during the 05 July 2013 AGM the Board reported a projected solvency margin of 7% as at June 2013.

Membership of the Fund increased by 5.34% from the 16 074 recorded as at June 2012 to 16 932 as at June 2013.

Overall, the Fund has performed satisfactorily during the period under review and has been able to meet all its service, financial and operational obligations.

3. Analysis of the Financial Results

3.1 Income Statement

(a) Contribution Income and Administrative Expenses

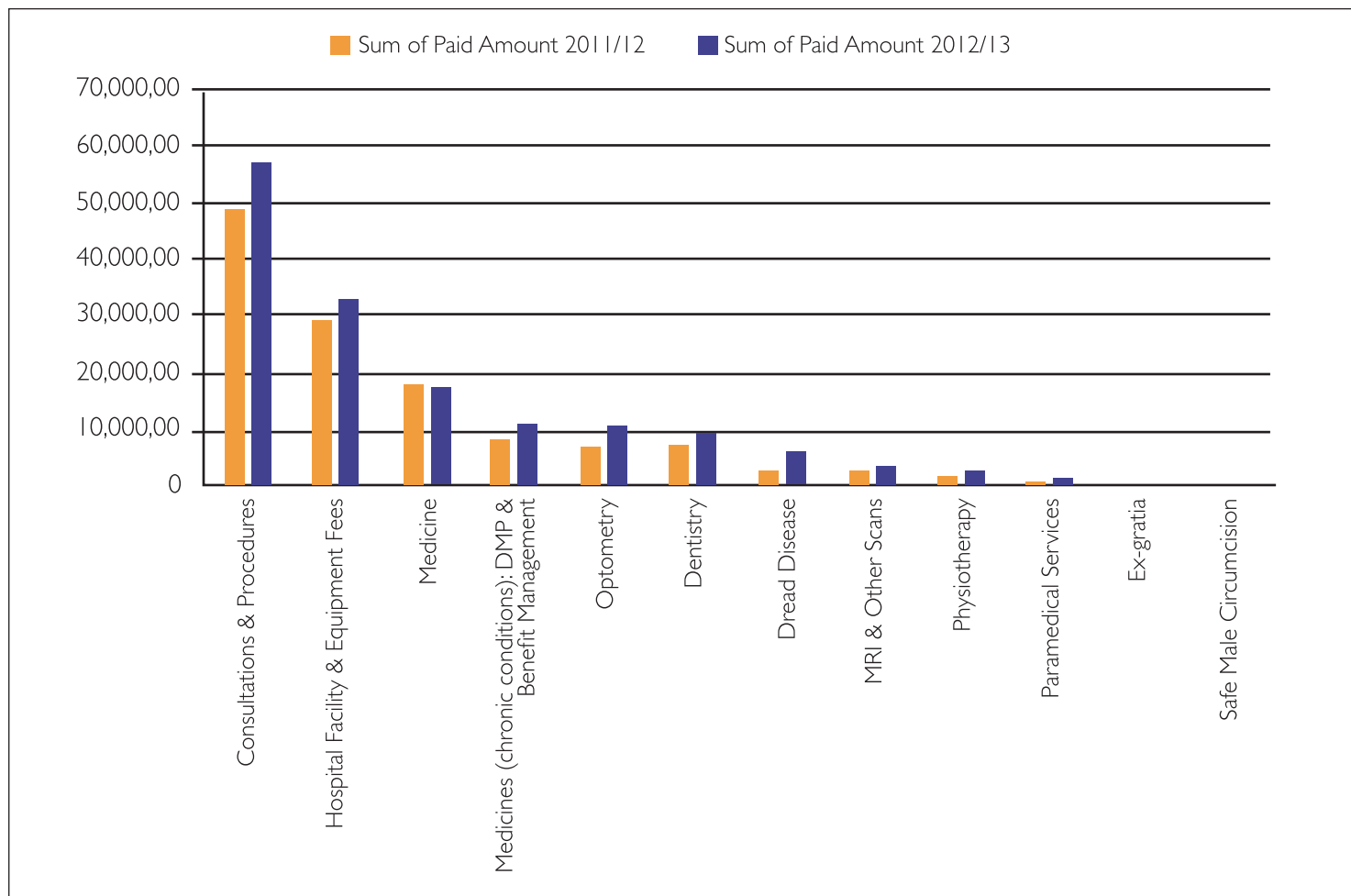
During the year under review the Fund recorded a contribution income of P187.27m and when compared to the prior year's income of P151.47m; this represented an increase of 24%. The increase was due to the 12.5% gross contribution increase and Risk Based Pricing Model (RBP) implemented in July 2012, as well as a membership growth of 5.34% during the year.

Administrative expenses (non-healthcare costs) stood at **12.99m** and when compared to the prior year's expenses, this represented a decrease of **20%**. This was largely due to the reduction in costs relating to bank loan interest, legal, actuarial and consultancy fees.

(b) Benefits Paid (Healthcare costs and other benefits paid) for the financial years 2012/13

Benefits paid for the year under review increased by 25% from P125.53m recorded in the prior year to P157.07m as at July 2013. This was largely due to the increases in healthcare costs (18%) and other benefits paid (13%). The latter comprises of premiums for funeral policy and emergency medical services, as well as Health Risk Management services. The claims ratio (healthcare costs/contribution income) was **79%** for year under review, which compares favourably to the **83%** reported in the prior year.

Figure 1: Healthcare Costs analysis for the year 2012/13



The figure above shows that all the categories of healthcare costs increased during the year under review with the exception of acute medicines, hence; the **18%** increase in healthcare costs. Medicine costs for acute conditions reduced by **3%** year-on-year whilst medicine costs for chronic conditions increased by **31%**. The latter was due to increased disease burden and a drive to ensure appropriate registration by beneficiaries with the Fund's Disease Management Program in order to improve clinical outcomes and ensure payment for services from the relevant benefit limits.

The **Optometry Benefit** utilisation, from a cost perspective, increased by **42%** year-on-year mainly as a result of improved benefit limits implemented effective July 2012. This resulted in optometry benefit utilisation as a percentage of total healthcare costs increasing from **5.7%** to **6.8%**.

Dental Benefit utilisation also increased by **27%**, year-on-year mainly as a result of improved benefit limits implemented effective July 2012.

Healthcare costs due to Consultations and Procedures (professional fees for healthcare professionals) and Hospital Facility and Equipment Fees increased by **17%** and **13%** respectively. The two (2) categories contributed about **60%** of total healthcare costs, thus were the main cost drivers during the year under review.

Local hospitals contributed about **39.5%** of total healthcare costs whilst foreign hospitals contributed about **4.9%**. South African based hospitals' share of total healthcare costs was **4.3%**; thus local hospitals were the major costs drivers or alternatively the Fund beneficiaries used the local hospitals more than the foreign based hospitals.

(c) Net Surpluses

The Fund recorded a comprehensive surplus for the year under review of P17.12m; representing a reduction of 26% when compared to the prior year figure of P21.89m. This was mostly due to reduction in net finance income from P7.85m to a negative P0.34m during 2012/13 and a reversal of impairment loss on the Funds investment in the Bokamoso Private Hospital Trust of P0.23m compared to P4m recorded in 2011/12.

3.2 Balance Sheet review/commentary

Total assets of the Fund increased by 43% from P30.46m recorded as at June 2012 to P43.66m, whilst reserves increased from negative P1.44m to P15.68m as at June 2013. This was mostly due to increases in cash balances and net surpluses recorded during the year under review.

4. Other matters

4.1 Bokamoso Private Hospital Trust (BPHT) (in Sequestration)

The Trustees of the Bokamoso Private Hospital Trust (in Sequestration) have fully settled the BHPT's indebtedness to the Fund. Members may recall that in accordance with the compromise settlement of amounts owed by the erstwhile BHPT to its creditors, the Fund was expected to receive P3.68m as full and final settlement of all amount owed by the BHPT to the Fund. However, the Board is happy to report that the final settlement amount received was P4.23m during the year under review.

Consequently, with the above settlement having been received the matter between the BPHT and the Fund is now closed and the new owners and operators of the hospital are continuing the business of the hospital without the Fund's involvement or participation.

4.2 Balance Billing

The Board reported during the AGM of 05 July 2013 that a Working Group (comprised of medical aid schemes and private practitioners) was formed to come up with an appropriate reimbursement model to be adopted for general health financing in the private sector. The Working Group is still to conclude its work. And discussions are on-going.

In addition to the above, members are reminded that the Board has not changed its decision with respect to service providers that implemented Balance Billing in February 2012. In order to facilitate beneficiaries' access to private healthcare services, the Fund will continue direct payments arrangements with Balance Billing service providers subject to reimbursement for services rendered being made in accordance with the Fund's recognised tariffs and Rules.

Consequently, members who obtain services from Balance Billing service providers are to note that the Fund will only reimburse them and/or the concerned service provider up to the maximum level of the Fund's recognised service tariffs. However, claims from non-Balance Billing service providers will be reimbursed in accordance with normal practice; that is, without the Fund's beneficiary paying any upfront payments other than the 10% co-payment.

The Board remains hopefully that a more mutually agreeable and sustainable solution will be arrived at through the Working Group's discussions.

4.3 Rules Review

The Revised Fund Rules, adopted by members at the Special General Meeting of 21 October 2011 have since been registered with the Registrar of Deeds and were implemented effective 01 July 2012.

The Board will endeavour to routinely review Fund Rules in order to ensure that they continue to address members' concerns, remain current and are compliant with regulatory requirements.

5. Information and Communication Technology (ICT)

Members are encouraged to utilise the revamped Web-portal so as to keep abreast of all transaction in their accounts and developments in the Fund. The website is www.pulamed.co.bw.

In order to continually improve operations and service delivery the Fund will continue to leverage ICT, however, this can only be realised with the full participation of all stakeholders, consequently, the Board would like to request members to update their contact details with the Fund to facilitate easier communication (e-mail and sms) and their ability to log into the Fund's website.

The Fund is rolling out electronic submission of claims to reduce processing errors and/or omissions and enable members to have a peace of mind; knowledge of accurate and timely claims reimbursement and reduced hassles at point of service.

6. Conclusion

The performance of the Fund during the financial year 2012/13 was operationally and financially satisfactory and the Board anticipates a continued improvement in performance going into the future.

PULA MEDICAL AID FUND

GENERAL INFORMATION

for the year ended 30 June 2013

BOARD OF TRUSTEES

Board of Trustees as at 30 June 2013 are as follows:

Peter D. Stevenson	- Chairperson
Maleho Mothibatsela	- Vice Chairperson
Thato Moutmakwa	- Independent Trustee
Batho Motubudi	- Independent Trustee
Kungo Mabogo	- Independent Trustee
Bakani Thipe	- Employer Group Representative
Mukani Pelaelo	- Employer Group Representative

Alternates

Grace Siamisang	- Employer Group Representative	- Alternate to Mukani Pelaelo
Oteng Sebonego	- Independent Trustee	- Alternate to Batho Motubudi
Patson Mazonde	- Independent Trustee	- Alternate to Thato Moutmakwa

The following Board members, who were members of the Board during 2012, have resigned during the year:

Kaelo Radira	- October 2012
Masego P Ndwapi	- October 2012
Naseem B Lahri	- January 2013

ADMINISTRATORS

Associated Fund Administrators Botswana (Proprietary) Limited
PO Box 1212, Gaborone, Botswana

REGISTRATION

The Fund was registered in Botswana under the Notarial Deed of Trust (registration reference MA 22/91)

PRINCIPAL ACTIVITY

The Fund provides assistance to its members and their dependents in defraying expenditure incurred in relation to medical and related services.

BUSINESS ADDRESS

P O Box 1212, Gaborone, Botswana

PULA MEDICAL AID FUND

GENERAL INFORMATION **for the year ended 30 June 2013**

REGISTERED OFFICES

AFA House, Plot 61918, Showgrounds Office Park, Gaborone

AUDITORS

Pricewaterhouse Coopers

BANKERS

First National Bank of Botswana

ASSET MANAGERS

African Alliance Botswana Management Company (Pty) Ltd

LAWYERS

Armstrongs-Attorneys, Notaries & Conveyancers

PULA MEDICAL AID FUND

ABRIDGED ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2013

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ABRIDGED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Board of Trustees is responsible for the preparation of the abridged financial statements in accordance with International Financial Reporting Standards.

The Board of Trustees acknowledges that it is ultimately responsible for the systems 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 set 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 an acceptable level of risk. **These controls are monitored throughout the Fund and all the employees of the administrator company are required to maintain the highest ethical standards in ensuring that 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 form of risk across the Fund. While operating risk cannot be fully eliminated, the fund endeavors to minimize it by ensuring that the appropriate infrastructure, controls, systems and ethical behavior are applied and managed within the predetermined procedures and constraints. Nothing has come to the attention of the Board to indicate that any material break down 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 explanation 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 financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The going concern assumption has been applied, in the preparation of the 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.

BOARD OF TRUSTEES' APPROVAL OF THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

Against this background, the Board of Trustees accepts responsibility of the abridged financial statements on pages 6 to 19 which were approved on 31 October 2013 and are signed on its behalf by:


CHAIRMAN


TRUSTEE

**STATEMENT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF PULA MEDICAL AID**

The abridged financial statements on page 19 to 27 is an extract of the audited financial statements for the year ended 30 June 2013 and contains a summary of significant information, which the Board of Trustees believe are relevant and appropriate for the purpose of the Annual General Meeting of Pula Medical Aid Fund.

Our Audit opinion issued in respect of the annual audited financial statements for the year ended 30 June 2013, which is unqualified has been included in the full set of the annual financial statements which is available on the Pula Medical Aid Fund's website.



PRICE WATER HOUSE COOPERS
Individual practicing member: A.S. Edirisinghe
Membership number: 20030048.23

Gaborone
31 October 2013

PULA MEDICAL AID FUND

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2013

<i>In Botswana Pula</i>	Notes	2013	2012
Income from contributions	2	187,271,604	151,474,142
Benefits Paid	3	(157,070,852)	(125,529,089)
Net contribution surplus		30,200,752	25,945,053
Other Income		13,000	68,119
Administrative Expenses		(12,985,163)	(16,330,687)
Operating Surplus		17,228,589	9,682,485
Finance Income	4	915,991	9,363,195
Finance Costs	4	(1,258,391)	(1,513,921)
Net Financial (costs) / Income		(342,400)	7,849,274
Reversal of impairment loss on loan given to associate company	6	230,022	4,000,000
Surplus for the year		17,116,211	21,531,759
Other Comprehensive Income			
Changes in fair value of available-for-sale financial assets	7	-	362,801
Total comprehensive income for the year		17,116,211	21,894,560

PULA MEDICAL AID FUND

STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

<i>In Botswana Pula</i>	Notes	2013	2012
ASSETS			
Loans and Advances	6	-	4,000,000
Available-for-sale financial Assets	7	15,449,924	14,738,448
Trade and other receivables	8	3,636,605	6,654,303
Cash and cash equivalents	9	24,573,891	5,069,068
Total Assets		43,660,420	30,461,819
RESERVES AND LIABILITIES			
Reserves			
Accumulated surplus / (deficit)		15,675,999	(1,440,212)
Non-current liabilities			
Borrowings	10	22,575	13,176,909
Current liabilities			
Borrowings	10	9,006,021	1,089,168
Provision for outstanding claims	11	15,887,068	13,603,354
Trade and other payables	12	3,068,757	4,032,600
		27,961,846	18,725,122
Total reserves and liabilities		43,660,420	30,461,819

PULA MEDICAL AID FUND

STATEMENT OF CHANGES IN RESERVES for the year ended 30 June 2013

<i>In Botswana Pula</i>	Notes	Available for Sale reserve	Accumulated (deficit)/Surplus	Total reserves
For the year ended 30 June 2012				
Balance as at 01 July 2011		8,375,228	(22,971,971)	(14,596,743)
Comprehensive income				
Surplus for the year		-	21,531,759	21,531,759
Other comprehensive income				
Changes in fair value of investments	7	362,801	-	362,801
Realised gain on disposal of available-for-sale financial assets		(8,738,029)	-	(8,738,029)
Total comprehensive income		(8,375,228)	21,531,759	13,156,531
Balance as at 30 June 2012		-	(1,440,212)	(1,440,212)
For the year ended 30 June 2013				
Balance as at 01 July 2012		-	(1,440,212)	(1,440,212)
Comprehensive income				
Surplus for the year		-	17,116,211	17,116,211
Total comprehensive income		-	17,116,211	17,116,211
Balance as at 30 June 2013		-	15,675,999	15,675,999

PULA MEDICAL AID FUND

STATEMENT OF CASH FLOWS
for the year ended 30 June 2013

<i>In Botswana Pula</i>	Notes	2013	2012
Cash flows from operating activities			
Cash receipts from members	13.1	189,241,893	152,519,161
Cash paid for claims and other benefits	13.2	(156,407,850)	(135,100,212)
Cash paid in respect of administrative expenses	13.3	(11,267,885)	(17,241,756)
Cash generated from operations		21,566,158	177,193
Interest paid	4	(1,258,391)	(1,513,921)
Net cash flows from operating activities		20,307,767	(1,336,728)
Cash flows from investing activities			
Interest received on bank call accounts	4	194,273	66,094
Interest received on other investments	4	721,718	521,846
Dividends received on BBS paid up shares	4	-	37,226
Loan repayments received from associate	6	4,230,022	-
Reinvestment in available-for-sale financial assets	7	(711,476)	(470,402)
Disposal of BBS paid up shares	7	-	5,652,080
Net cash flows from investing activities		4,434,537	5,806,844
Cash flows from financing activities		(5,237,481)	(1,238,652)
Capital repayments of long term liabilities		(5,237,481)	(1,238,652)
Net cash flows from financing activities			
Net change in cash and cash equivalents		19,504,823	3,231,464
Cash and cash equivalents at beginning of the year	9	5,069,068	1,837,604
Cash and cash equivalents at end of the year	9	24,573,891	5,069,068

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS for the year ended 30 June 2013

<i>In Botswana Pula</i>		2013	2012
2	Income from contributions	21,962,986	16,768,439
	Contributions from standard benefit option	165,308,618	134,705,703
	Contributions from deluxe benefit option	187,271,604	151,474,142
3	Benefits paid		
	Claims benefits		
	Claims paid	148,750,432	126,271,563
	Net increase / (decrease) in claims provision	2,283,714	(6,069,022)
		151,034,146	120,202,541
	Other member benefits		
	Funeral policy premium	874,192	624,219
	Managed care program	457,956	406,837
	Medical evacuation premium	3,491,632	3,280,983
	Pharmaceutical benefit and case management expenses	1,212,926	1,014,509
		6,036,706	5,326,548
	Total benefits paid	157,070,852	125,529,089
4	Finance income and costs		
	Finance income		
	Interest income on available-for-sale financial assets	721,718	521,846
	Interest income on short-term bank deposits	194,273	66,094
	Dividend income on available-for-sale financial assets	-	37,226
	Fair value gain recognised on disposal of available-for-sale financial assets	-	8,736,029
		915,991	9,363,195
	Finance costs		
	Interest expense on bank borrowings	(1,258,391)	(1,513,921)
	Net finance (costs) / income	(342,400)	7,849,274

5 Income tax

In terms of part 1, paragraph (v) of the second schedule of the Income Tax Act, the Fund qualifies as an approved benefit fund and consequently is exempt from income tax.

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS for the year ended 30 June 2013

<i>In Botswana Pula</i>	2013	2012
6 Loans and advances		
Balance at beginning of the year	4,000,000	-
Loan given during the year	-	-
Reversal of impairment loss	230,022	4,000,000
Repayments during the year	(4,230,022)	-
Balance at end of the year	<u>-</u>	<u>4,000,000</u>

The loan given to Bokamoso Private Hospital Trust ("the Trust") relates to a guarantee provided by the Fund to the Trust's bankers in respect of bank facilities extended to the Trust. The bank called upon the Fund to make settlement against its guarantee, upon the Trust being placed on sequestration. This loan is unsecured and bears no interest.

During 2011, the Trust was placed under sequestration, where no recovery of the loan was expected. As a result, the loan was fully impaired during 2011.

Based on commitments made by the sequestrators, the estimated recoverable amount of P4,000,000 was recognised during 2012 and a further P230,022 recognised during 2013 based on the final settlement received during the year.

7 Available-for-sale financial assets

Balance at beginning of the year	14,738,448	19,557,325
New investments -African Alliance Liquidity Fund	-	14,268,046
Interests reinvested-African Alliance Liquidity Fund	711,476	470,402
Decrease in fair value - BBS shares	-	(3,241)
Increase in fair value - African Alliance Botswana Value Fund	-	362,801
Disposal of investment-BBS shares	-	(5,648,839)
Disposal of investment-African Alliance Botswana Value Fund	-	(14,268,046)
Balance at end of the year	<u>15,449,924</u>	<u>14,738,448</u>

The investments are made up as follows:

African Alliance Liquidity Fund	<u>15,449,924</u>	<u>14,738,448</u>
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The carrying value of available-for-sale financial assets at the reporting date represents their fair value and represents investment in money market funds that earn market related interest.

The maximum exposure to credit risk at the reporting date is the carrying value of the investment.

None of these financial assets are either past due or impaired.

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS for the year ended 30 June 2013

<i>In Botswana Pula</i>	2013	2012
8 Trade and other receivables		
Contributions outstanding	4,561,113	6,531,402
Less: Provision for impairment	(992,568)	(2,723,387)
	3,568,545	3,808,015
Prepayments	6,375	6,375
Sundry debtors	61,685	2,839,913
	3,636,605	6,654,303

Contribution debtors are 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.

Movement of the provision for impairment of trade receivables are as follows;

Balance at beginning of the year	2,723,387	1,962,106
Provision for impairment	(1,730,819)	761,281
Balance at end of the year	992,568	2,723,387

The ageing of the impaired receivables is as follows:

61-90 days	606,833	574,479
More than 90 days	385,735	2,148,908
	992,568	2,723,387

The fair value of trade and other receivables are as follows:

Trade receivables	3,568,545	3,808,015
Sundry debtors	61,685	2,839,913
	3,630,230	6,647,928

9 Cash and cash equivalents

Cash at bank	24,678,846	8,734,603
Bank overdraft	(104,955)	(3,665,535)
	24,573,891	5,069,068

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 of set-off, the settlement accounts are included in cash and cash equivalents.

The overdraft reflected as of 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.

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
for the year ended 30 June 2013

9 Cash and cash equivalents (continued)

<i>In Botswana Pula</i>	2013	2012
For the purpose of statement of cash flows, cash and cash equivalents comprise of:		
Cash at bank	24,678,846	8,734,603
Bank overdraft	(104,955)	(3,665,535)
	<u>24,573,891</u>	<u>5,069,068</u>

10 Borrowings

Borrowings falling due after 1 year

Bank borrowings	22,575	13,176,909
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Borrowings falling due within 1 year

Bank borrowings	9,006,021	1,089,168
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Total borrowings	9,028,596	14,266,077
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Bank borrowings relate to an unsecured loan of P16,000,000 obtained from First National Bank of Botswana Limited and is repayable in 120 instalments commencing January 2011. However, the Board of Trustees intend to settle the loan in full before 30 June 2015. The loan bears interest at prime lending rate less 1%, which is 10% at the reporting date (2012: 11% per annum).

The carrying amount of borrowings represent their fair value as they are obtained at market related rates.

11 Provision for outstanding claims

Balance at beginning of the year	13,603,354	19,672,376
Increase / (decrease) in claims provision	2,283,714	(6,069,022)
Balance at end of the year	<u>15,887,068</u>	<u>13,603,354</u>

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 2013.

Membership growth	- Standard option 7% per annum and De-luxe option 8% per annum
Inflation rate	- 8% per annum
Investment return	- 0.2% per month
Assumed bad debts	- 0.5% per annum
Contribution increase	- 8% per annum

PULA MEDICAL AID FUND

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS for the year ended 30 June 2013

In Botswana Pula 2013 2012

12 Trade and other payables

Creditor for claims	87,737	1,708,449
Administration fees payable	1,538,286	1,284,265
Sundry creditors	1,442,734	1,039,886
	3,068,757	4,032,600

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.

13 Notes to the statement of cash flows 2013 2012

13.1 Cash receipts from members

Opening contribution receivables	(Note 8) 6,531,402	7,576,421
Contributions for the year	187,271,604	151,474,142
Closing contribution receivables	(Note 8) (4,561,113)	(6,531,402)
	189,241,893	152,519,161

13.2 Cash paid for claims

Opening creditor for claims	(Note 12) (1,708,449)	(5,210,550)
Claims expense	(148,750,432)	(126,271,563)
Other member benefits	(6,036,706)	(5,326,548)
Closing creditor for claims	(Note 12) 87,737	1,708,449
	(156,407,850)	(135,100,212)

13.3 Cash paid in respect of administration expenses

Opening accounts payable	(Note 12) (2,324,151)	(1,623,234)
Opening other receivables	(Note 8) 2,846,288	393,572
Administration expenses	(12,985,163)	(16,330,687)
Other operating income	13,000	68,119
(Decrease) / increase in debtors provision	(1,730,819)	761,281
Increase in arrangement fee-current year transfer	-	11,330
Closing other receivables	(Note 8) (68,060)	(2,846,288)
Closing accounts payable	(Note 12) 2,981,020	2,324,151
	(11,267,885)	(17,241,756)



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PROUDLY ADMINISTERED BY:

