

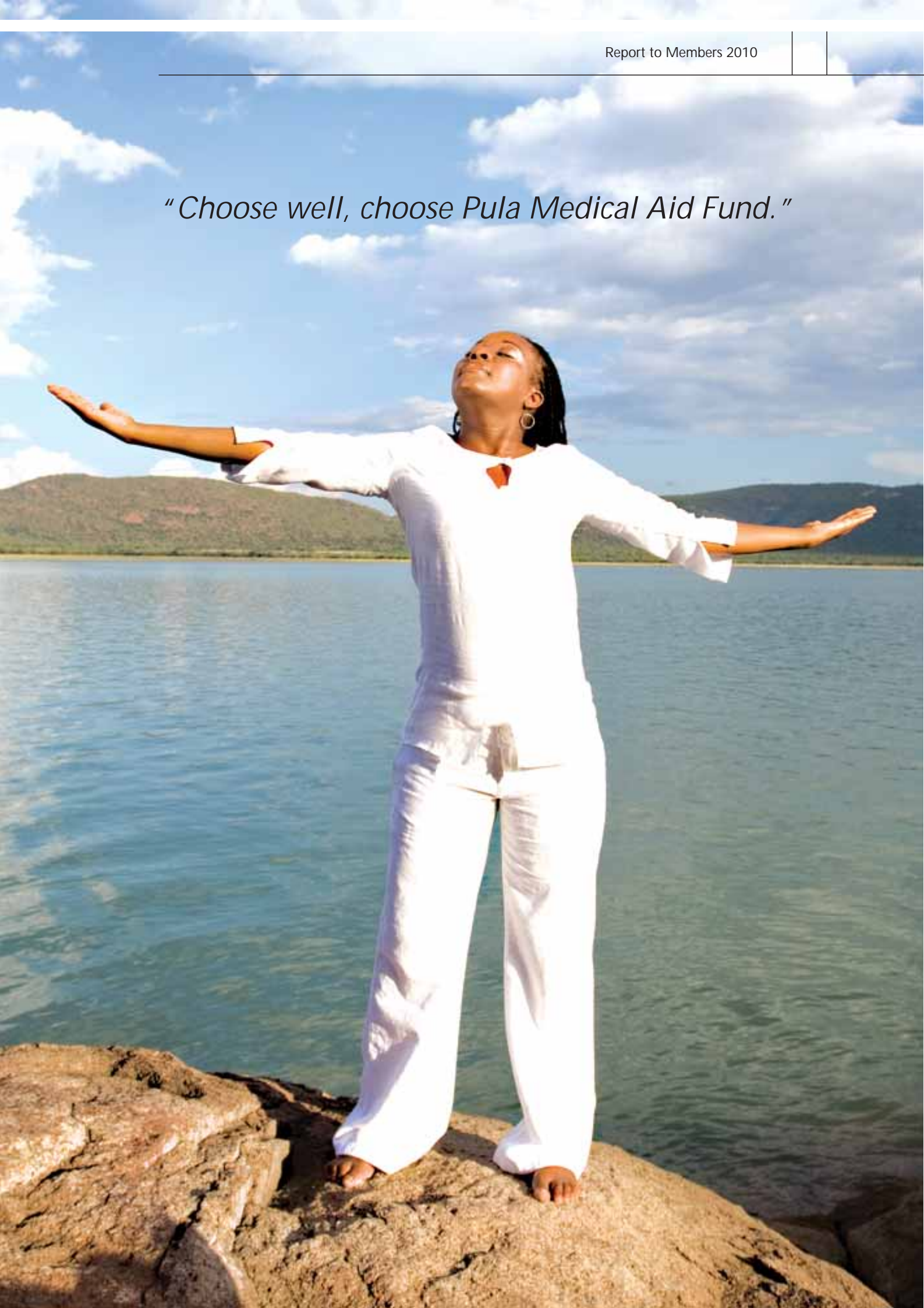
ANNUAL REPORT 2010

10 DECEMBER 2010 | 11:30 | GABORONE SUN CONFERENCE CENTRE



Medical Aid Fund
We care for your health!

"Choose well, choose Pula Medical Aid Fund."



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Board of Trustees



Left to right: E Schoemaker; P Mazonde; BB Motubudi; P D Stevenson (Chairman); NN Mashalaba; J Matome (Treasurer); A Wingreen; T Moumakwa

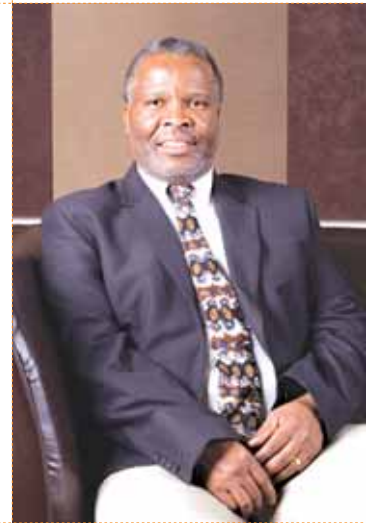
Management Committee



A O Motsamai



C Kapalu (Chairman)



P Mmokwa



R Malkongwa



G Siamisang



B Thipe (Vice Chairman)

Administrators (AFA) Management



Standing From Left To Right: M Monageng (HR Manager); M Isaacs (IT Manager);
T Kwerepe (Client Services Manager); D Mongudi (Finance Manager)
Seated From Left To Right: M Matome (Managed Care Manager); H Marks (Sales & Marketing Manager);
R Tatedi (Managing Director); E Shamakumba (Corporate Services Manager)



ADMINISTERED BY ASSOCIATED FUND ADMINISTRATORS BOTSWANA (PTY) LTD

PROXY FORM

I, _____ with
(NAME IN BLOCK LETTERS)

Membership No: _____ being a member of **Pula Medical Aid Fund**, hereby appoint

NAME: _____

PROXY'S MEMBERSHIP NO:

Or failing him, the Chairman of the Management Committee, or failing him, the Chairman of the meeting as my proxy to vote for me, and on my behalf, at the Members' Annual General Meeting (AGM) to be held on **Friday 10 December 2010**, and at any adjournment thereof.

DATE: _____

SIGNATURE: _____

1. A proxy nomination shall only be given to a member of the Board of Trustees/Management Committee, or a member of the Fund.
2. The instrument appointing the proxy must be deposited at the office of the Administrators of the Fund; at least 48 hours before the time for holding the meeting at which the person named in the instrument proposes to vote.

Annual General Meeting 2010



VALUE ADD PARTNERSHIP PROGRAMME

The Value-Add Partnership Programme (VAPP) rewards members with a host of benefits from special offers and incentives to lead a healthy lifestyle.

Incentives
to lead a
healthy lifestyle.

- Leisure and Entertainment
- Home Improvements
- Security and Peace of mind
- Health and Fitness
- Travel and Tours



Medical Aid Fund

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Agenda

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING (AGM) OF THE MEMBERS WILL BE HELD AT THE GABORONE SUN CONFERENCE CENTRE, ON FRIDAY 10 DECEMBER 2010, AT 11:30

AGENDA

1. NOTICE AND CONSTITUTION OF THE MEETING
2. CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING (AGM) HELD ON FRIDAY 11 DECEMBER 2009
3. MATTERS ARISING THEREFROM
4. RECEIPT AND ADOPTION OF THE MANAGEMENT COMMITTEE REPORT TO THE MEMBERS FOR THE YEAR ENDED 30 JUNE 2010
5. RECEIPT AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
6. APPOINTMENT OF THE EXTERNAL AUDITORS
7. GENERAL
8. DATE OF THE NEXT MEETING

**BY ORDER OF THE MANAGEMENT COMMITTEE
OCTOBER 2010**

Minutes

MINUTES OF THE ANNUAL GENERAL MEETING OF THE MEMBERS HELD ON 11 DECEMBER 2009, AT THE GABORONE SUN CONFERENCE CENTRE, AT 11:30

1. PRESENT

1.1. Management Committee

C Kapalu (Chairing)
G Siamisang
O A Motsamai
B Thipe
P Mmokwa

1.2. Board of Trustees

P D Stevenson
A Wingreen
N N Mashalaba
T Mounakwa

1.3. General Membership

There were 31 members who attended in person and 38 proxies, for a total of 69.

2. IN ATTENDANCE

2.1. Administrators - AFA Botswana (PTY) LTD

K A Ebineng
R T Tatedi
D Thela
D Mongudi
E Shamakumba
T Kwerepe
M Monageng
M Isaacs
H Marks
M Matome
G Tebape (Recording)

2.2. EXTERNAL AUDITORS

J Repatlha - KPMG Botswana

3. NOTICE AND CONSTITUTION OF THE MEETING

The notice of the meeting having been circulated was taken as read and approved, following a proposal by Mr T Tsara, seconded by Ms A Ramaeba. A quorum being

present, the Chairman declared the meeting duly constituted.

4. APOLOGIES FOR NON-ATTENDANCE

Apologies were noted in respect of all Trustees and Management Committee members not present.

5. ADOPTION OF THE AGENDA

The agenda was amended to include an additional item, being "Election of the Management Committee" as item 7 on the agenda, with the remaining items to follow chronologically.

6. CHAIRMAN'S OPENING REMARKS

The Chairman welcomed all members who were present to the meeting. Thereafter, he introduced the Trustees, Management Committee, Administrators and external auditors, KPMG.

7. CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING (AGM) HELD ON FRIDAY 05 DECEMBER 2008

The minutes of the previous Annual General Meeting (AGM) held on 05 December 2008 having been circulated were taken as read. On a proposal by Mr K Potongwane, seconded by Mrs T Van Niekerk, the minutes were adopted as a true record of the proceedings.

8. MATTERS ARISING FROM THE MINUTES OF THE AGM HELD ON 05 DECEMBER 2008

8.1. Update on availability of statements on the Internet: Refer to Minute 7.1

The Administrators reported that the new health administration system, iMed, had since August 2009 been implemented and that the functionality where members could access their statements through the internet would be available during the first half of 2010. **ACTION: AFA**

8.2. Update on the Rules Review Process: Refer to Minute 7.2

The Administrators reported that the Rules Review Process was on-going and was expected to be finalized in January/February 2010. **ACTION: MANCO**

8.3. Update on provision of tariffs to members: Refer to Minute 14

The Administrators reported that the tariffs agreed with service providers were available for download from the Fund's website (www.pulamed.co.bw).

They (AFA) highlighted that tariffs were negotiated and agreed between the Fund and organised provider groups. Members were, however, cautioned that there might be some providers who did not apply the agreed tariffs on the basis that they did not enter into a Service Provider Agreement with the Fund.

8.4 Update on Primary Doctor Registration: Refer to Minute 14

The Administrators reported that the process was on-going, though at an unsatisfactory level. Members were urged to co-operate and register in large numbers.

8.5 Update on the provision of preventative care (contraceptives and prophylaxis for malaria): Refer to Minute 14

The Administrators informed the members that the issue concerned the benefit structure of the Fund and as such the Management Committee would consider it as part of the ongoing Rules Review Process, to be completed in early 2010.

ACTION: MANCO

9. COMMENTS ON THE MATTERS ARISING REPORT

There were no comments received from the members on the Matters Arising Report.

10. RECEIPT AND ADOPTION OF THE MANAGEMENT COMMITTEE REPORT TO THE MEMBERS FOR THE YEAR ENDED 30 JUNE 2009

The meeting was referred to the Report to the Members for the year ended 30 June 2009, contained on page 19 of the 2008/09 AGM Report. The report had been circulated with the notice for the AGM and was, therefore, taken as read. The Chairman summarised the report as follows:

10.1 General Overview

- 10.1.1 For the fourth consecutive year, the Fund recorded a deficit. However, the deficit (**P5 871 653**) was lower than that recorded in the previous year. The Chairman assured members that all was being done to reverse the deficit.
- 10.1.2 Operationally, the Fund performed satisfactorily as it managed to meet its main objective of assisting members defray the healthcare costs that they and their dependants, incurred.
- 10.1.3 The Fund recorded a reduction of **0.3%** in membership, owing mainly to the economic recession experienced from late 2008 onwards.
- 10.1.4 Regarding the PULA Rules Review Process, a lot of progress had been made during the year. The revised Rules were expected to be presented to the general membership for approval during the 2009/10 financial year.

10.2 Contribution Income

Contribution income for the year stood at **P92 201 167** compared to **P82 788 283** reported in the previous year. This represented growth of **11.4%**, due mainly to the average contribution increase of **13%** implemented with effect from 01 July 2008.

10.3 Claims Costs

10.3.1 Claims costs for the year under review stood at **P86 000 577** compared to **P77 461 000** reported in the previous year. This represented an increase of **11%**. The increase was mainly due to the general price increases in healthcare products and service provider tariff increase implemented during the year.

10.4 Administration Expenses

10.4.1 General administration expenses decreased from **P15 615 805** in the previous year to **P15 613 133** during the year under review; representing a reduction of **0.02%**.

10.5 Total Reserves

10.5.1 During the year under review, the Fund recorded a reduction of **P6 416 151** or **9.8%** in reserves. The reserves stood at **P59 116 946** compared to **P65 533 097** reported in the previous year. The Fund had to draw down on the reserves to finance part of the operational expenditure, since the contribution income collected was not sufficient to cover expenses.

10.5.2 As a consequence of the reduction in total reserves, the solvency margin of the Fund decreased from **79.2%** in the previous year to **64.1%** for the year under review.

10.6 Corrections to Management Committee Report

10.6.1 The Chairman noted a correction to the graph titled 'Figure 1' on page 21 of the report. He advised members that the red legend should read as '2008-09' rather than '2007-08'. With no further questions or comments from the members, the Management Committee Report was adopted following a proposal by **Mrs T Van Niekerk** seconded by **Mr P Stevenson**.

11. RECEIPT AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The members were referred to the Audited Financial Statements for the year ended 30 June 2009 on page 35 of the Report. The Administrators provided a summary of the Report covering the essentials and concluded by reporting that the external auditors, KPMG, had provided an unqualified report. With no questions or comments from

the members, the Audited Financial Statements for the year ended 30 June 2010 were adopted following a proposal by **Mrs T Van Niekerk** seconded by **Mr P Mmokwa**.

12. APPOINTMENT OF EXTERNAL AUDITORS

KPMG were appointed as external auditors for the financial year 2009/10 following a proposal by **Mrs T Van Niekerk**, seconded by **Mrs A Ramaeba**.

13. ELECTION OF THE MANAGEMENT COMMITTEE

13.1. In terms of Rule 22.2 of the Fund Rules, the following five (5) Management Committee members were eligible for re-election to serve an additional term of two (2) years each:

C Kapalu	-	Botswana Building Society
B Thipe	-	Tati Nickel Mining Company
O A Motsamai	-	Debswana Jwaneng Mine Hospital
P Mmokwa	-	Botswana Ash
G Siamisang	-	Botswana Unified Revenue Service

13.2. The Administrators highlighted that the two (2) remaining vacancies would be filled by the Management Committee during the 2009/10 financial year, for appointment by the members at the subsequent Annual General Meeting.

ACTION: AFA

13.3. The Administrators recommended that the above specified candidates be re-elected as the new Committee for the next two (2) years.

Following a proposal by **Mrs M Seane** seconded by **Mrs T Van Niekerk**, the above members were re-elected, in their number, as the PULA Management Committee for an additional term of two (2) years.

14. GENERAL

14.1. **Mrs T Van Niekerk**

The member enquired as to how often a referral letter from a dermatologist prescribing contraceptives for dermatological reasons, would need to be submitted to the Administrators in order to ensure delivery of such service to a member.

Response

The Administrators responded that such a referral would normally be valid for one (1) financial year (01 July - 30 June) and should be submitted annually.

14.2. **Mrs A Ramaeba**

The member requested an update on the Bokamoso Private Hospital project.

Response

The Administrators responded by stating that the Bokamoso Private Hospital was due to open in early January 2010, and that a media campaign to raise awareness of the opening date and services to be provided at the hospital was due to commence in the forthcoming weeks. **ACTION: MANCO**

14.3. **Mr R Pule**

The member enquired why the Fund did not recognize grandchildren as beneficiaries. He further enquired of the circumstances, if any, under which a grandchild might be registered as a dependant, other than through adoption.

Response

The Administrators confirmed that the Fund Rules did not allow for the registration of grandchildren as dependants. However, they informed the meeting that under special circumstances and subject to the satisfaction of the Management Committee, a foster child could be registered as a dependant. The Administrators highlighted, in addition, that the matter would form part of the ongoing Rules review process.

14.4. **Mr K Potongwane**

The member opined that the current benefit limit for optical services was too low, and that the benefit appeared not to have been adjusted since the inception of the Fund.

Response

The Administrators thanked the member for his input, and assured him that benefits review formed part of the Rules Review Process currently underway.

14.5. **Mrs A Ramaeba**

The member expressed disappointment at the continued late arrival of the Annual Report and urged the Administrators to strive for improvement in the coming years. The Administrators noted the concern by the member and assured members that timely dispatch of the AGM Report was and remained a priority in order to allow members to fully prepare for the meetings.

14.6. **Ms C Pitso**

The member referred members to the comment made by Mr. Pule regarding the registration of grandchildren as dependants.

She suggested that the Management Committee should consider developing an optional product, tailored specifically for additional dependants, to avoid the protracted process of reviewing and amending the Rules in this regard.

Response

The Administrators and the Management Committee welcomed the member's suggestion.

14.7. *Mrs T Van Niekerk*

The member enquired if the Emergency Medical Services (EMS) contract with MRI Botswana (Pty) Ltd had been extended.

Response

The Administrators responded that the EMS contract had indeed been extended with a further 12 months effective 01 December 2009, and that the service would continue to be available to all members. **ACTION: MANCO**

14.8. *K Potongwane*

The member, adding to the previous question, enquired if members were required to pay for the EMS at the point of service.

Response

The Administrators stated that the service did not require any payment by the member at the point of service, as the relevant fees were paid by the Fund, on behalf of the members.

14.9 *Mrs T Van Niekerk*

The member welcomed the impending opening of the Bokamoso Private Hospital and commended the Fund management and the Administrators for a job well done; in terms of taking care of the health needs of the members. She stated that the members needed to stay positive in terms of what would happen next, relative to expectations.

Response

The Management Committee, Board of Trustees and Administrators thanked the member for her words of encouragement.

15. DATE OF NEXT MEETING

The date of the next meeting (to be held in December 2010) would be communicated. There being no further business, the meeting adjourned at 12:19.

Attendance Register

ATTENDANCE AT THE ANNUAL GENERAL MEETING OF THE MEMBERS HELD ON 11 DECEMBER 2009, AT 11:30, AT THE GABORONE SUN CONFERENCE CENTRE

NAME AND SURNAME

1	Rose Tatedi
2	Gorata Tebape
3	Bakani Thipe
4	Tapiwa Kwerepe
5	Tonderai Tsara
6	Mmamotse Monageng
7	Mark Isaacs
8	Duncan Thela
9	Clement Kapalu
10	Enelys Shamakumba
11	Harry Marks
12	Diane Mongudi
13	NN Mashalaba
14	Margaret K Seane
15	Lebogang Letagae
16	Kagiso M Potongwane
17	Keorapetse Ookeditse
18	Peter Stevenson
19	Kabelo Ebineng
20	Portia Pule
21	Theresa Van Niekerk
22	O A Motsamai
23	Matshediso Matome
24	Choice Pitso
25	Andrew Wingreen
26	Philip Mmokwa
27	Richard G Pule
28	Autiliah Ramaeba
29	N Keaikitse
30	Stephanie Stoneham
31	Norma Moremong

PROXIES

	REPRESENTATIVE EMPLOYER	# OF PROXIES
1	Tapiwa Kwerepe - Associated Fund Administrators	16
2	Andy Wingreen - Aon Botswana	22

Report to the Members for the Year Ended 30 June 2010

On behalf of the Management Committee of the Pula Medical Aid Fund Trust (PULA), I am pleased to present the 19th Annual Report to the members. The report mainly covers the financial and operational performance of the Fund for the financial year ended 30 June 2010; as well as some key activities and developments, which took place during the year.

1. GENERAL OVERVIEW

The year ended 30 June 2010 was a turnaround year for the Fund. In four (4) years from 2005/06 to 2008/09, the Fund recorded net deficits which had necessitated draw down of reserves to pay claims costs and other expenses. We are pleased that for the first time after four (4) years, the Fund recorded a net surplus of **P9 376 646** for the year under review.

In addition, the Fund performed relatively well in maintaining reasonable growth in claims costs, as they increased by **3%**. The claims ratio stood at **78%** during the year under review, compared to the **93.3%** reported in the previous year.

The Fund's level of reserves also improved significantly, by **15.9%** from **P59 116 946** for the year ended 30 June 2009 to **P68 493 592** during the year under review. However, the Fund's solvency margin decreased from **64.1%** in the previous year to **60%** during the year under review, due to contribution income increasing at a relatively much higher rate than the rate of increase in accumulated reserves. The **60%** solvency margin is considered significant, relative to the **25%** bench-mark used by the Fund. The latter is the statutory requirement for medical aid schemes in the Republic of South Africa; and it's used as a bench-mark as there is no statutory requirement yet in Botswana, as medical aid schemes are not regulated.

On the membership side, the Fund recorded a significant growth of **10.7%** in membership, compared to a **0.3%** reduction reported in the previous year. The growth was mainly due to a combination of proactive marketing activities implemented, as well as the recovery of the world economy from the recession of 2008/09.

During the year under review, the Fund's management continued with the Review of the Rules and it is expected that a Special General Meeting of the members will be convened during 2010/11 to consider and approve the proposed changes. Following that, the new Rules, including benefits and contribution tables, will be implemented in July 2011.

Members are also to note that the construction of the Bokamoso Private Hospital was completed during the year under review. The Hospital subsequently opened for business in January 2010, and was officially opened by His Excellency the President of Namibia, Mr Hifikepunye Pohamba, on 11 May 2010. Nevertheless, since opening, the Hospital has experienced a number of teething problems, some of which have been successfully resolved, and others are still to be resolved. We remain optimistic that the Hospital is a viable operation and will assist PULA beneficiaries in accessing cost-effective private hospital services.

Overall, the year ended 30 June 2010 was a good year for the Fund, as it not only managed to achieve its operational object of assisting members defray healthcare expenses, but the Fund managed to turnaround its financial performance which for the past four (4) years had not been satisfactory.

2. ANALYSIS OF THE FINANCIAL RESULTS FOR THE YEAR

Below is a brief analysis of the audited financial statements for the year ended 30 June 2010.

2.1 Review of the Income Statement

a) Contribution Income

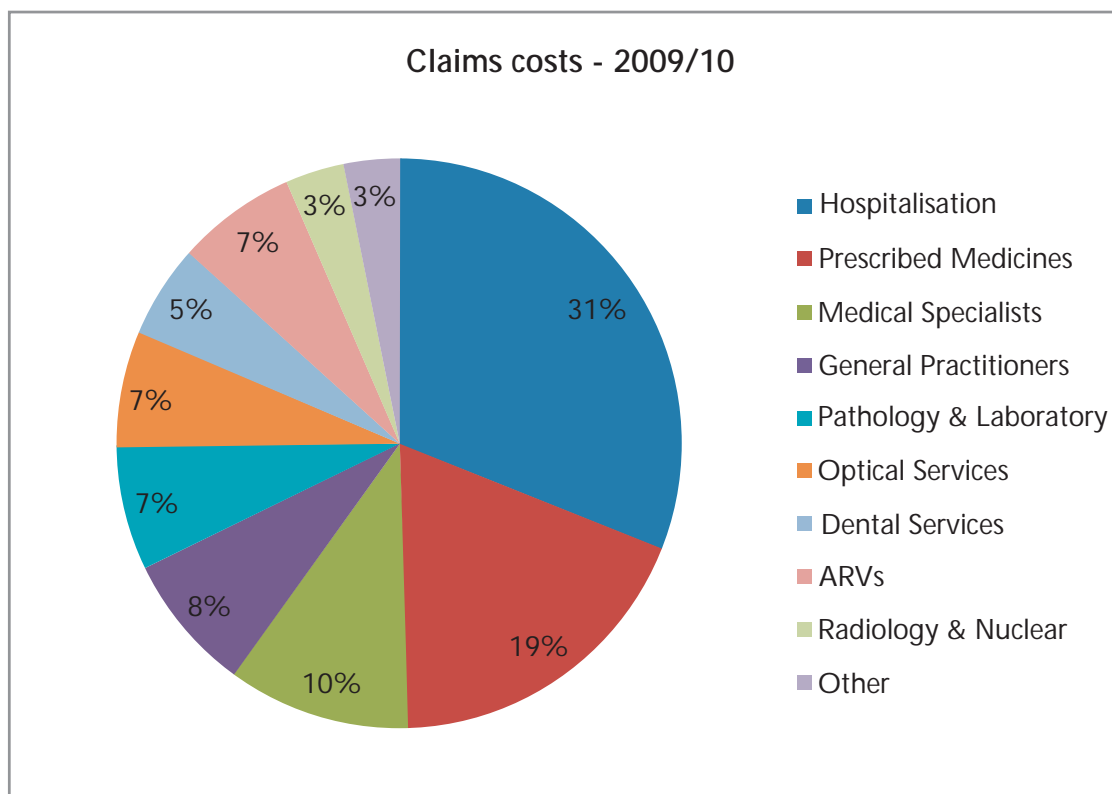
Total contribution for the Fund stood at **P113 432 637** for the year under review, compared to **P92 201 167** reported in the previous year. This represents growth of **P21 231 470** or **23%**.

The growth in income was mainly due to the **10.7%** membership growth recorded; as well as the **7%** premium increase implemented for both benefit options, in July 2009.

b) Expenditure

On the expenditure side, the claims costs increased by only 3% from P86 000 577 in the year ended 30 June 2009 to P88 663 514 during the year under review. Figure 1 below gives the percentage contribution of each of the various categories of service, to the overall claims expenditure for the year under review.

Figure 1



The pie chart above indicates that hospitalization made up the highest (31%) portion of the costs, followed by prescribed medicines and medical specialists.

Administration expenses on the other hand increased by 4% from P15 613 133 in the previous year to P16 168 975 during the year under review.

c) Investment and Interest Income

The Fund recorded a 60% reduction in investment and interest income during the year under review. This was mainly due to withdrawal of funds to finance the remaining portion of PULA's equity in the Bokamoso Private Hospital; as well as the reduction of interest rates in the Botswana economy.

d) Net Surplus

The Fund recorded a net surplus of P9 376 646 during the year under review, compared to P6 416 151 net deficit recorded in the previous year. The net surplus was mainly due to the significant increase in income and a below inflation increase in expenses, including claims costs.

2.2 Review of the Statement of Financial Position

a) Total Assets

Total assets of the Fund grew by P16 614 819 or 22.4% during the year under review. The growth was mainly due to the net surplus recorded during the year.

b) Total Liabilities

Total liabilities stood at P22 329 675; representing a 48% growth over the P15 091 502 reported in the previous year. The growth was mainly due to the increase in accounts payable and provision for outstanding claims. Included in accounts payable are claims that were processed and approved for payment, but not yet paid by end of the financial year.

c) Total Reserves

The Fund's total reserves increased by 15.9% during the year under review, from P59 116 946 reported in the previous year to P68 493 592.

3. MEMBERSHIP

The total membership of the Fund stood at **15 964** during the year under review. This represents a **10.7%** membership growth, when compared to the **14 415** reported in the previous year.

The growth in membership was mainly due to the proactive marketing activities implemented during the year; as well as the recovery of the world economy, from the recession of 2008/09. The latter had negatively affected the Fund during the previous year, as was evidenced by the reduction of membership then.

With regard to total lives (i.e. principal members and their dependants), the Fund recorded a **12%** increase from **33 195** in the previous year to **37 195** during the year under review.

Figure 2

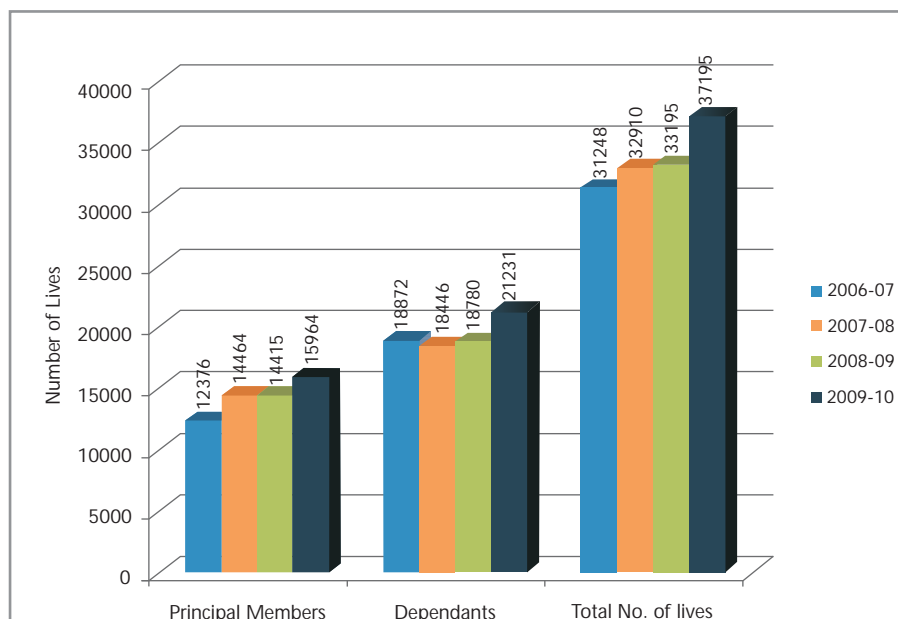


Figure 2 above is a graphical presentation of the number of principal members, dependants and total lives covered by the Fund, during the past three (3) years, and the year under review.

It is evident from the graph that the year ended 30 June 2010 was a good year in terms of membership growth, across all the three categories shown above.

We remain optimistic that the situation will continue to improve and that the Fund will be able to retain existing and attract new members.

a) Membership Terminations

Though the Fund performed well in growing the membership, it also recorded some member terminations during the year under review. A total of **1 023** members were terminated from the Fund, for various reasons including death, retrenchments, non-payment of monthly contributions etc.

4. OTHER MATTERS

4.1 Bokamoso Private Hospital

The construction of the Bokamoso Private Hospital, which is owned **20%** by PULA and **80%** by the Botswana Public Officers' Medical Aid Scheme (BPOMAS), was completed during the year under review. The Hospital opened for patients in January 2010 and was subsequently officially opened by His Excellency, the President of Namibia, Mr Hifikepunye Pohamba, on 11 May 2010.

Since opening, the Hospital has been faced with teething problems, some of which have been resolved; whilst others are still to be resolved. We remain optimistic that the outstanding issues will be resolved at the earliest.

Whilst members of the Fund have a choice of the health facility they wish to use, we wish to encourage members to utilise the services of the Bokamoso Private Hospital.

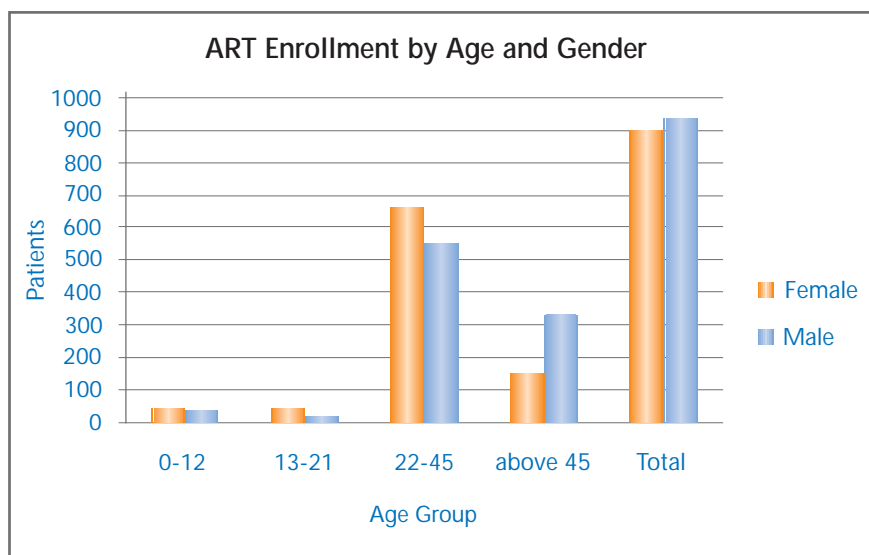
4.2 HIV/AIDS Benefit Management

The Fund's Anti-Retroviral Therapy (ART) Programme had a total of **1 820** patients as at 30 June 2010, out of which **48.8%** were female and **52.2%** male.

The June 2010 enrolment figure represents **19.7%** growth over the **1 520** patients reported in the previous year.

Figure 3 below gives a graphical presentation of the distribution of patients on the programme, as at 30 June 2010, by age and gender.

Figure 3



4.3 Rules Review

The process of reviewing the Fund's Rules progressed in earnest during the year under review. It is expected that a Special General Meeting of members will be held during the 2010/11 financial year, for members to consider and approve the proposed changes. The review also covered the benefit limits and contribution structure.

The new Rules are to be implemented in July 2011.

4.4 Doctor-Patient Registration & Referral

During the year under review, 5 076 members had registered their family doctors/facilities. This figure represents an insignificant increase of only 20 members when compared to the 5 056 reported in the previous years. Members are still urged to register their family doctors, in preparation for the Referral System which the Fund is still to implement in the near future.

4.5 Marketing/Promotion of the Fund

The main marketing technique applied during the year under review was direct presentations to various potential and existing employer groups. It was through such presentations that the Fund was able to grow membership by 10.7% from both the existing and new employer groups.

However, other techniques were also applied to support the direct presentations. These include billboard and newspaper advertising.

4.6 Value-Add Partnership Programme

During the year under review, the Fund continued with its strategic partnerships with the various entities, with a view of ensuring that members not only benefit from medical aid cover, but also from other benefits such as discounts at identified business enterprises.

Members can access the list of the strategic partners and what they offer, from the Fund's website: www.pulamed.co.bw.

5. MANAGEMENT OF THE FUND

Following the re-election of the Management Committee at the 2009 Annual General Meeting, both the Chairman and Vice-Chairman of the Committee were re-elected to the positions.

The Committee continued during the year under review, to work closely on day-to-day with the Administrators, AFA Botswana, to ensure that the Fund operates effectively and efficiently for the benefit of the members.

The Board of Trustees was, as always, available to provide the strategic guidance and leadership required, to both the Committee and the Administrators.

We wish to formally welcome Mr Richard Malikongwa who joined the Committee during the year. We look forward to his valuable contribution to the success of the Fund.

6. CONCLUSION

The year ended 30 June 2010 was a relatively good year for the Fund from both a financial and an operational perspective. After four (4) years of reporting net deficits, the Fund reported a significant net surplus.

The Fund was also able to meet its operational object of assisting its members defray expenses incurred on healthcare.

The year also witnessed the completion and starting of operation of the Bokamoso Private Hospital. The Hospital is a state-of-the-art facility that will offer PULA members and the Botswana community at large, specialist services that had to date, not been available in Botswana. We wish to encourage members to utilise the services of the Hospital.

Whilst the Fund has performed well during the year under review, it still has challenges to deal with. These include cost control, membership growth and ultimately, to ensure that the Fund remains sustainable in the long term, for the benefit of members. Members support and co-operation is required in ensuring that the above challenges are addressed.

In conclusion, I would like to thank my colleagues on the Management Committee for the valuable contribution and commitment to the successful management of the Fund.

I also wish to thank the employer groups from which the Management Committee is drawn, for allowing their employees to carry out their Committee duties during working hours. Special thanks are also due to you, members, for your continued support, co-operation and loyalty to Pula Medical Aid Fund.

Last but not least, our sincere thanks go to the Board of Trustees for their continued guidance and support. We indeed benefit a great deal from the Trustees wisdom and strategic leadership.

Finally, I would like to thank our administrators, Associated Fund Administrators Botswana (Pty) Ltd and the actuaries, Deloitte Insurance Solutions, for the professional advice and guidance they have provided during the year under review.

I thank you all!



CHAIRMAN

20/10/10

DATE

Annual Financial Statements

for the year ended 30 June 2010

Pula Medical Aid Fund

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Pula Medical Aid Fund

Board of Trustees' Approval of the Annual Financial Statements

The Fund's Board of Trustees is responsible for the preparation and fair presentation of the financial statements, comprising the statement of comprehensive income, the statement of changes in reserves, the statement of financial position at 30 June 2010 and statement of cash flows for the year then ended, and the notes to the financial statements, and a summary of significant accounting policies in accordance with International Financial Reporting Standards.

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


The Board's responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as supplementary schedules included in these financial statements.

The Board has made an assessment of the Fund's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements:

The annual financial statements were approved by the Board of Trustees' on *15/10/2010* and are signed on their behalf by:


.....
Chairman
.....
Board of Trustees member

Pula Medical Aid Fund

General Information

Incorporation and Business Activities

Pula Medical Aid Fund was registered on 31 July 1991 under a Notarial Deed of Trust dated 28 May 1991. The purpose of the Fund is to provide assistance to members of the Fund and their dependants in defraying expenditure incurred in connection with medical and related services. Pula Medical Aid Fund is domiciled in Botswana.

The Fund had 15 964 members at 30 June 2010 (2009: 14 415).

Trustees

PD Stevenson (Chairman)
JM Matome (Treasurer)
NN Mashalaba
PN Mazonde
T Moumakwa
A Wingreen
E Schoemaker
B Motubudi

Management Committee

C Kapalu (Chairman)
B Thipe (Vice Chairman)
G Siamisang
A O Motsamai
P Mmokwa
R Malikongwa appointed 02 March 2010

Postal Address

P O Box 1212
Gaborone
Botswana

Registered Address

AFA House
Plot 61918, Showgrounds Office Park
Gaborone

Administrators

Associated Fund Administrators Botswana (Proprietary) Limited
P O Box 1212
Gaborone
Botswana

Bankers

Standard Chartered Bank Botswana Limited
P O Box 496
Gaborone
Botswana

Auditors

KPMG
P O Box 1519, Gaborone, Botswana.

**Audit**

Plot 67977, Off Tlokweg Road,
Fairground Park
PO Box 1519, Gaborone, Botswana

Telephone +267 391 2400
Fax +267 397 5281
Internet <http://www.kpmg.com/>

Report of the Independent Auditors to the Members of Pula Medical Aid Fund

Report on the Financial Statements

We have audited the financial statements of Pula Medical Aid Fund set out on pages 30 to 50, which comprise the statement of comprehensive income, the statement of changes in reserves, the statement of financial position at 30 June 2010 and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Trustees responsibility for the Financial Statements

The Board of Trustees is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Societies Act No. 18:01 of 1972 in Botswana. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Pula Medical Aid Fund as of 30 June 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Societies Act No. 18:01 of 1972.



KPMG

15 October 2010

Pula Medical Aid Fund

Statement of Comprehensive Income

for the year ended 30 June 2010

<i>In Pula</i>	<i>Note</i>	2010	2009
Income from contributions		113 432 637	92 201 167
Benefits paid	1	(91 233 398)	<u>(87 147 741)</u>
Net contribution income		22 199 239	5 053 426
Finance charges		-	(21 815)
Administration expenses	2	(16 168 975)	<u>(15 613 133)</u>
Operating surplus/(deficit)		6 030 264	(10 581 522)
Investment and interest income	3	1 893 340	<u>4 709 869</u>
Surplus/(deficit) for the year		<u>7 923 604</u>	<u><u>(5 871 653)</u></u>
Other comprehensive income/ (loss) for the year			
Changes in fair value of securities		1 453 042	<u>(544 498)</u>
Total comprehensive surplus/(loss) for the year		<u><u>9 376 646</u></u>	<u><u>(6 416 151)</u></u>

Pula Medical Aid Fund

Statement of Changes in Reserves

for the year ended 30 June 2010

<i>In Pula</i>	<i>Note</i>	Revaluation Reserve	Accumulated Surplus	Reinsurance Reserve	Total Reserves
At 01 July 2008		7 334 904	56 349 114	1 849 079	65 533 097
Total comprehensive deficit for the year		-	(5 871 653)	-	(5 871 653)
Change in fair value of investments		(544 498)	-	-	(544 498)
At 30 June 2009		6 790 406	50 477 461	1 849 079	59 116 946
Total comprehensive surplus for the year		1 453 042	7 923 604	-	9 376 646
Transfer to accumulated surplus	11	-	1 849 079	(1 849 079)	-
At 30 June 2010		8 243 448	60 250 144	-	68 493 592

Pula Medical Aid Fund

Statement of Financial Position

for the year ended 30 June 2010

In Pula	Note	2010	2009
Assets			
Non-current assets			
Investment in Bokamoso Private Hospital Trust	5	41 200 000	38 544 940
Investments	4	29 207 288	27 040 943
Current assets		20 415 979	8 622 565
Investments	4	-	4 000 142
Accounts receivable	6	5 061 713	444 576
Cash and cash equivalents	7	15 354 266	4 177 847
Total assets		<u>90 823 267</u>	<u>74 208 448</u>
Reserves			
Revaluation reserve		8 243 448	6 790 406
Accumulated surplus		60 250 144	50 477 461
Reinsurance reserve		-	1 849 079
Current liabilities		22 329 675	15 091 502
Provision for outstanding claims	8	14 800 032	12 230 148
Accounts payable	9	7 529 643	2 861 354
Total reserves and liabilities		<u>90 823 267</u>	<u>74 208 448</u>

Pula Medical Aid Fund

Statement of Cash Flows

for the year ended 30 June 2010

In Pula	Note	2010	2009
Operating activities			
Cash receipts from members	10.1	110 538 907	96 834 882
Cash paid for claims	10.2	(88 663 513)	(86 000 577)
Cash paid in respect of administrative expenses	10.3	(13 224 094)	(18 198 994)
Net cash outflows from operating activities		8 651 300	(7 364 689)
Investing activities			
Interest received on bank call accounts	3	377 560	623 838
Interest received on other investments	3	802 477	2 326 287
Dividends on BBS shares	3	713 303	1 759 744
Purchase of Botswana Building Society paid up shares	4	(713 303)	(1 759 744)
Movement on Debt Participation Capital Fund Note	4	-	(100 800)
Disposal of the Debt Participation Capital Fund Note	4	4 000 000	-
Investment in Bokamoso Private Hospital Trust	5	(2 655 060)	(22 900 816)
Disposal of African Alliance Investments	4	142	16 456 666
Disposal of Stanbic Investment Management Services	4	-	3 655 057
Disposal of African Banking Corporation Investments	4	-	5 128 215
Proceeds from maturity of BBB004 Note	4	-	5 000 000
Net cash flows from investing activities		2 525 119	10 188 447
Increase in cash and cash equivalents		11 176 419	2 823 758
Cash and cash equivalents at beginning of the year		4 177 847	1 354 089
Cash and cash equivalents at end of the year	7	15 354 266	4 177 847

Pula Medical Aid Fund

Significant Accounting Policies

for the year ended 30 June 2010

The financial statements incorporate the significant accounting policies set out below, which are consistent with those adopted in the previous financial year.

Statement of compliance

The financial statements are presented in accordance with the International Financial Reporting Standards (IFRSs).

Basis of preparation

The financial statements are presented in Pula which is the Fund's functional currency and are prepared on the historical cost basis except that financial instruments are stated at fair values.

The preparation of financial statements in conformity with IFRSs requires management to make judgement, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made in the application of IFRSs that have a significant impact on the financial statements and estimates with a significant risk of material adjustment in the next year relate to the provision for doubtful debts (Note 6), the provision for outstanding claims (Note 8) and impairment of assets.

New standards and interpretations not yet adopted

The following are new standards, amendments to standards and interpretations which are not yet effective for the year ended 30 June 2010 and have not been applied in preparing the annual financial statements:

Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions: The entity which receives goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction is to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. The revision, which becomes effective for the 2011 financial statements, is not expected to have any impact on the financial statements of the Fund.

Pula Medical Aid Fund

Significant Accounting Policies

for the year ended 30 June 2010 (continued)

IFRIC 19:

- This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. It does not address the accounting by the creditor. The interpretation, which becomes effective for the 2011 financial statements, is not expected to have any impact on the financial statements of the Fund.

IAS 24:

- Related Party Disclosures: The new standard requires a reporting entity to disclose transactions with its related parties and relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. This standard will be incorporated into the financial statements of the Fund in the 2011 financial year.

IAS 32:

- Financial Instruments: Presentation: Classification of Rights Issues requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The revision, which becomes mandatory for the Fund's 2011 financial statements, is not expected to have any impact on the financial statements of the Fund.

IFRS 2:

- The amendments to IFRS 2 are not applicable to the entity's financial statements as it, at present, does not operate any share based payments schemes.

IFRIC 14:

- IFRIC 14 applies for first time for financial reporting period ending 30 June 2012. The financial statements of the entity will not be impacted as the entity does not operate a defined benefit plan.

IFRS 9:

- IFRS 9 will be adopted by the entity for the first time for its financial reporting period ending 30 June 2014. The standard will be applied retrospectively, subject to transitional provisions. IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements for the entity is not expected to be significant.

Pula Medical Aid Fund

Significant Accounting Policies

for the year ended 30 June 2010 (continued)

Presentation of financial statements

The Fund applies revised IAS 1 Presentation of Financial Statements (2007), which became effective for periods beginning 1 January 2009. As a result, the Fund presents in the statement of changes in reserves all member changes in reserves, whereas all non-member changes in reserves are presented in the statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard.

Provisions

Provisions are recognised when the fund has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Provision for outstanding claims

The amount represents estimated outstanding claims incurred during the financial year, but payable in the succeeding financial year.

Contributions

Contributions are payable monthly and brought to account on an accruals basis when due.

Benefits

Benefits are brought to account on an accruals basis and are expressed net of discount received from service providers.

Investments

Listed equity shares are stated at fair value with any revaluation gain or loss recognised in other comprehensive income.

All other financial instruments are stated at amortised cost less any impairment losses.

When these investments are derecognised, the cumulative gain or loss previously recognised directly in reserves is recognised in the statement of comprehensive income. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of investments classified as available-for-sale is their market value at the reporting date.

Financial instruments classified as held-for-trading or available-for-sale investments are recognised/derecognised by the Fund on the date it commits to purchase/sell the investments. Securities held-to-maturity are recognised/derecognised on the day they are transferred to/by the Fund.

Accounts receivable

Accounts receivables are stated at their cost less amounts considered doubtful or irrecoverable.

Pula Medical Aid Fund

Significant Accounting Policies

for the year ended 30 June 2010 (continued)

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and call accounts. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Accounts payable

Accounts payable are stated at their cost.

Investment income

Investment income comprises interest receivable on funds invested and dividend income from the investments.

Interest income is recognised in the statement of comprehensive income as it accrues. Dividends income is recognised in the statement of comprehensive income as it accrues.

Recognition and de-recognition of assets and liabilities

The Fund recognises assets when it obtains control of a resource as a result of past events and future economic benefits are expected to flow to the Fund. The Fund derecognises a financial asset when it loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. The fund recognises liabilities, including provisions, when it has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation. A financial liability is derecognised when it is legally extinguished.

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.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in reserves and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in reserves is recognised in the statement of comprehensive income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of comprehensive income is the difference between the acquisition cost and current fair value, less any impairment loss which is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income.

The recoverable amount of the Fund's investments in held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective

Pula Medical Aid Fund

Significant Accounting Policies

for the year ended 30 June 2010 (continued)

In Pula

Impairment (continued)

interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, 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.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pula at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

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.

Pula Medical Aid Fund

Notes to the Financial Statements

for the year ended 30 June 2010

In Pula	2010	2009
1. Benefits		
Claims paid	79 179 709	78 874 030
VAT on claims	9 483 805	7 126 547
	88 663 514	86 000 577
Net increase in the claims provision	2 569 884	1 147 164
	<u>91 233 398</u>	<u>87 147 741</u>
2. Administration expenses		
Administration fees	8 096 212	7 795 523
Annual general meeting expenses	254 622	102 582
Audit fees	100 430	56 914
(Decrease)/increase in doubtful debts	(791 443)	211 731
Bank charges	66 216	96 289
Consultancy fees	1 999 226	1 004 034
Managed care program	353 341	340 218
Fidelity insurance	76 500	70 125
Funeral policy premium	594 875	567 992
Legal fees	60 041	8 981
Medical evacuation premium	2 765 630	2 875 759
Postages	146 766	138 933
Printing and stationery	161 838	139 599
Promotions and advertising	2 060 811	1 729 072
Subscriptions	58 738	145 289
Trustees' fees	165 172	330 092
	<u>16 168 975</u>	<u>15 613 133</u>
3. Investment and interest income		
Dividends on Botswana Building Society paid up shares	713 303	1 759 744
Realised interest from unit trusts held at African Alliance	-	1 453 266
Interest on other investment bank balances	802 477	873 021
Interest on bank call accounts	377 560	623 838
	<u>1 893 340</u>	<u>4 709 869</u>

Pula Medical Aid Fund

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

In Pula	2010	2009
4. Investments		
<i>(a) Non-current investments</i>		
Fair value at beginning of year	27 040 943	43 672 877
Dividends re-invested from Botswana Building Society shares	713 303	1 759 744
Interest re-invested (African Alliance) (note 3)	-	-
Increase/(decrease) in fair value (page 31)	1 453 042	(544 498)
Reclassification of Debt Participation Capital Fund Bond	-	(3 899 200)
Disposal of African Alliance Global Income Fund and Value Fund	-	(8 947 980)
Maturity of Barclays Bank of Botswana Note - BBB004	-	(5 000 000)
Fair value at end of year	<u>29 207 288</u>	<u>27 040 943</u>
Non-current investments are made up as follows:		
African Alliance Botswana Value Fund	13 773 465	12 320 423
Botswana Building Society paid up shares	15 433 823	14 720 520
	<u>29 207 288</u>	<u>27 040 943</u>
Investments in securities represent investments in listed equity securities, which present the Fund with opportunity for return through dividend income and trading gains. The fair values of these securities are based on quoted market prices. The investments in Botswana Building Society paid up shares are stated at cost.		
<i>(b) Current investments</i>		
Fair value at beginning of year	4 000 142	16 292 100
Disposal during the year		
Stanbic Investment Management Services	-	(3 655 057)
African Alliance Botswana Liquidity Fund	-	(7 508 828)
African Banking Corporation	-	(5 128 215)
African Alliance Botswana Liquidity Fund	(142)	-
Debt Participation Capital Fund Bond	(4 000 000)	-
African Alliance Botswana Liquidity Fund	-	142
Debt Participation Capital Fund Bond	-	4 000 000
Fair value at end of year	<u>-</u>	<u>4 000 142</u>

Pula Medical Aid Fund

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

In Pula	2010	2009
4. Investments (continued)		
(b) Current investments (continued)		
Current investments are made up as follows:		
African Alliance Botswana Liquidity Fund	-	142
Debt Participation Capital Fund	-	4 000 000
	-	4 000 142
Current and non-current investments are classified as available-for-sale and are stated at fair value. The carrying amounts of instruments stated at cost approximate closely to their fair values.		
5. Investment in Bokamoso Private Hospital Trust		
Balance at the beginning of the year	38 544 940	15 624 124
Investment during the period	2 655 060	22 920 816
Balance at the end of the year	41 200 000	38 544 940
The Fund is a stakeholder in the Bokamoso Private Hospital Trust with Botswana Public Officers' Medical Aid Scheme. The Fund contributed 20% of the required funding and 80% was provided by Botswana Public Officers' Medical Aid Scheme. The hospital commenced operations in January 2010.		
6. Accounts receivable		
Contributions outstanding	5 417 365	2 523 635
Less: Impairment for doubtful debts	(1 424 644)	(2 089 220)
	3 992 721	434 415
Sundry Debtors	1 062 617	1 301
Prepayments	6 375	6 375
Interest receivable: bonds	-	2 485
	5 061 713	444 576

Pula Medical Aid Fund

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

In Pula

Accounts receivable (continued)

Contribution debtors are stated at cost less impairment loss. The impairment loss represents the Board of Trustees best estimate of the contributions raised and not likely to be recovered.

Included in sundry debtors is P951 874 relating to deposits that were incorrectly deposited by the bank into Botswana Public Officers' Medical Aid Scheme. These funds were subsequently received after year end.

7. Cash and cash equivalents

	2010	2009
Current account	2 045 655	629 411
Call account	10 847 916	2 743 772
Settlement call account	2 893 937	1 767 744
Settlement current account	(433 242)	(963 080)
	<u>15 354 266</u>	<u>4 177 847</u>

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.

8. Provision for outstanding claims

At beginning of year	12 230 148	11 082 983
Provision increase during the year	2 569 884	1 147 165
At end of year	<u>14 800 032</u>	<u>12 230 148</u>

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

Pula Medical Aid Fund

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

In Pula	2010	2009
9. Accounts payable		
Associated Fund Administrators Botswana (Proprietary) Limited	1 601 201	1 301 100
Sundry creditors	320 879	247 741
Value Added Tax on administration fees	134 578	100 216
Creditors for claims	5 472 985	9 650
Creditors for contributions	-	1 202 647
	<u>7 529 643</u>	<u>2 861 354</u>

Creditors for claims represents claims that have been processed and approved for payment but not yet paid at the reporting date. The increase in the creditors for claims account is due to a payment run made in the month of June 2010 and cleared in the month of July 2010.

10. Notes to the statement of cash flows**10.1 Cash receipts from members**

Opening contributions receivable	2 523 635	7 157 350
Contributions for the year (page 30)	113 432 637	92 201 167
Closing contributions receivable (note 5)	(5 417 365)	(2 523 635)
	<u>110 538 907</u>	<u>96 834 882</u>

10.2 Cash paid for claims

Dread disease claims	-	(4 960 002)
Claims expenses	88 663 513	(81 040 575)
	<u>88 663 513</u>	<u>(86 000 577)</u>

10.3 Cash paid in respect of administration expenses

Opening accounts payable (note 8)	(2 861 354)	(5 158 417)
Opening accounts receivable	10 161	177 937
Administration expenses (note 2)	(16 168 975)	(15 613 133)
Other operating income	-	(21 815)
Closing other accounts receivable (note 5)	(1 068 992)	(10 161)
Decrease in debtors provision (note 5)	(664 577)	(434 759)
Closing accounts payable (note 8)	7 529 643	2 861 354
	<u>(13 224 094)</u>	<u>(18 198 994)</u>

Pula Medical Aid Fund

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

In Pula

11. Reinsurance reserve

	2010	2009
At beginning of the year	1 849 079	1 849 079
Transfer to accumulated surplus	(1 849 079)	-
	<u>-</u>	<u>1 849 079</u>

The reserve represented appropriations from income which was considered by the Fund's Board of Trustees as necessary to cover dreaded disease costs. The reserve was however also available for any other purpose as may be determined by the Board of Trustees and the members. A decision was made by the Board of Trustees to transfer the reserve to accumulated funds as the reserve was considered not to be necessary.

12. Financial instruments

Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Fund is exposed to credit risk are:

- contributions and other receivable balances,
- investments (current and non-current) and
- bank balances.

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in Botswana. Banks in Botswana are not rated but each of the banks concerned are subsidiaries of major South African or United Kingdom registered institutions and are regulated by Bank of Botswana.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2010	2009
Contributions receivables	5 417 365	2 523 635
Other receivables	1 068 992	10 161
Cash and cash equivalents at bank	15 354 266	4 177 846
Investments	29 207 288	27 040 943
Investment in Bokamoso Private Hospital Trust	41 200 000	38 544 940
	<u>92 247 911</u>	<u>72 297 525</u>

Pula Medical Aid Fund

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

In Pula

12. Financial instruments (continued)

Exposure to credit risk (continued)

The ageing of contribution receivables at the reporting date was:

	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
Not past due	2 835 442	-	916 899	482 484
Past due 1 - 30 days	1 157 279	-	155 343	155 343
Past due 31 – 90 days	1 424 644	1 424 644	734 724	734 724
Past due more than 90 days	-	-	716 669	716 669
	<u>5 417 365</u>	<u>1 424 644</u>	<u>2 523 635</u>	<u>2 089 220</u>

The movement in the allowance for impairment in respect of contributions receivable during the year was as follows:

	2010	2009
Balance at beginning of year	2 089 220	2 523 980
Additional impairment recognised during the year	1 424 644	-
Impairment reversed to the statement of comprehensive income during the year	(2 089 220)	(434 760)
Balance at end of year	<u>1 424 644</u>	<u>2 089 220</u>

Based on historic default rates, the Fund believes that, apart from the above, no impairment allowance is necessary in respect of contribution receivables not past due or past due by up to 30 days.

Liquidity risk

The Fund is exposed to daily operational payments and payment of claims payable balances. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Fund sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

The following are the contractual maturities of financial liabilities, including estimated interest payments, but excludes the impact of netting agreements:

Pula Medical Aid Fund

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

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12. Financial instruments (continued)

Liquidity risk (continued)

Non-derivative financial liabilities

	Carrying amount	Contractual cash flows	6 months or less
30 June 2010			
Outstanding claims	5 472 985	5 472 985	5 472 985
Other payables	2 056 658	2 056 658	2 056 658
	<u>7 529 643</u>	<u>7 529 643</u>	<u>7 529 643</u>
30 June 2009			
Outstanding claims	9 650	9 650	9 650
Other payables	2 851 704	2 851 704	2 851 704
	<u>2 861 354</u>	<u>2 861 354</u>	<u>2 861 354</u>

It is not expected that the cash flows included in the maturity analysis could occur at significantly different amounts.

Exposure to interest rate risk

The Fund invests with reputable institutions and is subject to normal market interest rate risk. The effective interest rates on the Fund's call deposits at year-end were as follows:

Call account 5% (2009:7%) per annum

Financial instruments that are sensitive to interest rate risk are cash and cash equivalents and variable interest rate investments. Interest rates fluctuate with movements in the prime interest rate and are comparable with rates currently available in the market.

	2010	2009
Fixed interest rate instruments		
Investments	-	<u>4 000 000</u>
Variable rate instruments		
Cash equivalents	15 354 266	4 177 847
Variable interest rate investments	29 207 288	<u>27 041 085</u>
	<u>44 561 554</u>	<u>31 218 932</u>

Pula Medical Aid Fund

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

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12. Financial instruments (continued)

Exposure to interest rate risk (continued)

With average interest rates on investments at 5% in 2010 (2009: 7%) a change of 50 basis points in interest rates applicable to variable rate investments at the reporting date would have affected Fund profit as shown below:

	2010	2009
Increase of 50 basis points		
Variable rate instruments	222 808	156 095
Decrease of 50 basis points		
Variable rate instruments	(222 808)	(156 095)

Fair value hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Fund determines fair values using valuation techniques.

Pula Medical Aid Fund

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

In Pula

12. Financial instruments (continued)

Fair value hierarchy (continued)

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length. The Fund uses widely recognised valuation models for determining the fair value of common and more simple financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities and exchange traded derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

Pula Medical Aid Fund

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

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12. Financial instruments (continued)

Fair value hierarchy (continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
31 March 2010				
Equity investments	13 773 465	-	-	13 773 465
Bonds	-	15 433 823	-	15 433 823
Investment in Bokamoso Private Hospital Trust	-	-	41 200 000	41 200 000
	<u>13 773 465</u>	<u>15 433 823</u>	<u>41 200 000</u>	<u>70 407 288</u>
31 March 2009				
Equity investments	12 320 423	-	-	12 320 423
Bonds	-	14 720 520	-	14 720 520
Other Investments	-	-	4 000 142	4 000 142
Investment in Bokamoso Private Hospital Trust	-	-	38 544 940	38 544 940
	<u>12 320 423</u>	<u>14 720 520</u>	<u>42 545 082</u>	<u>69 586 025</u>

13. Related parties

Key management personnel

The Fund has a related party relationship with its Management Committee and Trustees. The transactions between the Fund and the related parties related to attendance fees for Management Committee meetings and Board of Trustees meetings. Fees paid amounted to P165 172 (2009: P330 092).

Other related party transactions

The Fund had the following transactions with Bokamoso Private Hospital Trust, a Trust in which the Fund has 20% shareholding.

Pula Medical Aid Fund

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

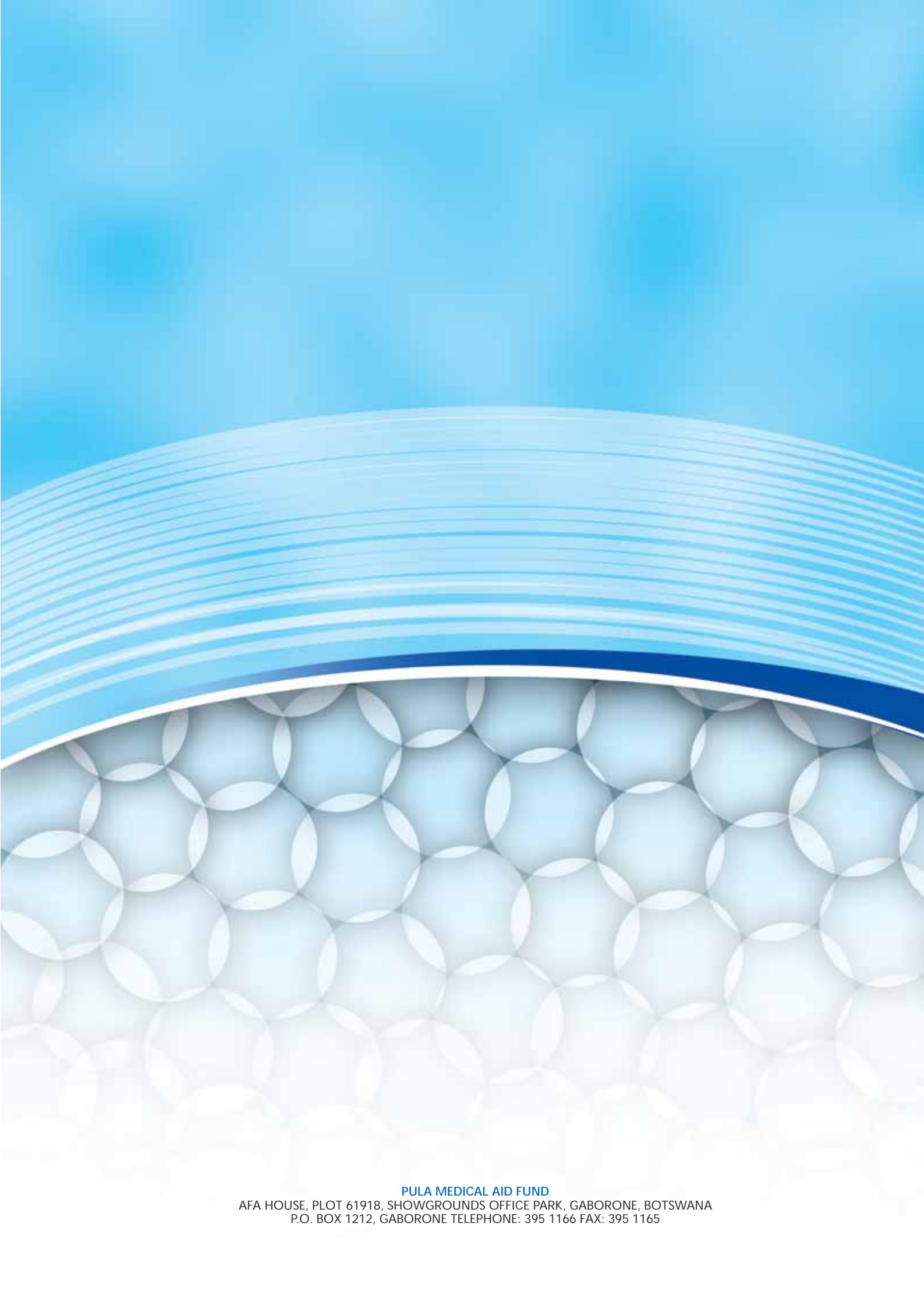
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<i>Nature of transaction</i>	Transaction value	Balance outstanding
2010		
Investments	<u>2 655 060</u>	<u>41 200 000</u>
Claims	<u>5 192 250</u>	<u>3 378 665</u>
2009		
Investments	<u>22 990 816</u>	<u>38 544 940</u>
Claims	<u>-</u>	<u>-</u>

14. Accounting estimates and judgements

The Fund's estimates for accounts receivable impairment provision, the investment impairment and provision for outstanding claims are continually reviewed and updated and adjustments resulting from this review are reflected in the statement of comprehensive income. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.





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