



R e p o r t t o M e m b e r s

Notice of the 2007/8 Annual General Meeting

Date: Friday 05 December 2008

Time: 11:30

Venue: Phakalane Golf Estate and Conference Centre



Medical Aid Fund

We care for your health!

Pula Medical Aid Fund

Contents	Page
Proxy Form	1
Agenda	3
Minutes of the 2006/07 Members' AGM	4
Management Report to the Members	17
Audited Financial Statements	33

Board of Trustees



PD Stevenson
Chairman



J Matome
Treasurer



BB Motubudi



NN Mashalaba



E Schoemaker



T Moumakwa



L Maine



P Mazonde



A Wingreen

Management Committee



C Kapalu
Chairman



B Thipe
Vice Chairman



A O Motsamai



P Mmokwa



G Siamisang



C Selelo



H Lebotse

Administrators (AFA) - Management



K Ebineng
Managing Director



R Tatedi - Deputy MD
Head of Operations



E Shamakumba
Corporate Services Mgr.



M Monageng
HR Manager



D Motsu
Finance Manager



T Lenong
Sales & Marketing Mgr.



M Issacs
IT Manager



D Thela
Managed Care Advisor



M Matome
Claims Manager



Medical Aid Fund



Administered by Associated Fund Administrators Botswana (Pty) Ltd

PROXY FORM

I, _____ with

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 Annual General Meeting of the members to be held on **Friday 05 December 2008**, 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.



simple
and
straightforward

Two simple options. One easy choice. De-Luxe or Standard

The choice you make for medical cover is important. And the last thing that you need is a range of options that are not simple, straightforward and easy to understand. That's why Pula Medical Aid Fund has two simple options giving you one easy choice. Standard or Deluxe. Standard provides affordability, while Deluxe gives you comprehensive cover and a class leading dread disease benefit. Simple options - just another attribute that makes Pula Medical Aid Fund - **1st in member satisfaction.**



Administered by Associated Fund Administrators Botswana (Pty) Ltd

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING (AGM) OF THE MEMBERS WILL BE HELD AT THE PHAKALANE GOLF ESTATE AND CONFERENCE CENTRE ON FRIDAY 05 DECEMBER 2008, 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 07 DECEMBER 2007
3. MATTERS ARISING THEREFROM
4. RECEIPT AND ADOPTION OF THE MANAGEMENT COMMITTEE REPORT TO THE MEMBERS FOR THE YEAR ENDED 30 JUNE 2008
5. RECEIPT AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
6. APPOINTMENT OF THE EXTERNAL AUDITORS
7. GENERAL
8. DATE OF THE NEXT MEETING

BY ORDER OF THE MANAGEMENT COMMITTEE

OCTOBER 2008

**** In terms of the Rules, a member may appoint a proxy to attend the Annual General Meeting and vote in his/her stead. A proxy form is attached and must be received at the address below, at least 48 hours prior to the meeting.

**MINUTES OF THE ANNUAL GENERAL MEETING (AGM) OF MEMBERS
HELD AT THE GABORONE SUN HOTEL CONFERENCE CENTRE ON
07 DECEMBER 2007, AT 11:30**

1. PRESENT

1.1 MANAGEMENT COMMITTEE

Mr P Mmokwa - Chairing
Mrs C Selelo
Mrs G Siamisang
Dr A O Motsamai

1.2 BOARD OF TRUSTEES

Dr N N Mashalaba

1.3 GENERAL MEMBERSHIP

There were 40 members who attended in person; and 30 proxies for a total of 75.

2. IN ATTENDANCE

2.1 Administrators - AFA Botswana (Pty) Ltd

Mr K A Ebineng
Ms R T Tatedi
Mrs G Van Vuuren
Mr D Motsu
Ms T Lenong
Mrs E Shamakumba
Mr D Thela
Mr O O M Gaboutloeloe
Mrs M Kentshitswe

2.2 External Auditors: KPMG

Mrs. P Marukutira

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 Baboloki Reetsang, seconded by Mrs Theresa Van Niekerk.

4. APOLOGIES FOR NON-ATTENDANCE

Apologies for non-attendance were received from all the Trustees and Management Committee members who were not present.

5. WELCOME REMARKS

The Chairman welcomed all the members who were present at the meeting and introduced the Management Committee, the Administrators and the external auditors, KPMG. The Chairman also acknowledged the presence of one member of the Board of Trustees, Dr N Mashalaba.

6. MINUTES OF THE PREVIOUS MEETING HELD ON 08 DECEMBER 2006

The minutes of the previous Annual General Meeting (AGM): held on 08 December 2006 having been circulated were taken as read and on a proposal by Mrs T Van Niekerk, seconded by Mr Narula, were passed as a true record of the proceedings.

7. MATTERS ARISING THEREFROM**7.1 Proposed Private Hospital**

Members were informed that consultation with a variety of stakeholders was ongoing. Members were updated on the following developments:-

- (a) The approval and management structure of the proposed private hospital development had been approved by the Botswana Government – following facilitation by the Management Committee of the Botswana Public Officers' Medical Aid Scheme (BPOMAS).
- (b) PULA and BPOMAS had jointly registered the "Bokamoso Private Hospital Trust (BPHT)" in April 2007. The Trust was to develop, own and operate the proposed private hospital. The hospital was to be known as "Bokamoso Private Hospital".

- (c) The schemes had identified well experienced and reputable organizations in the names of Operating Room International Limited Liability Company (ORI) and Vanderbilt University Medical Center (VUMC). BPHT had contracted with these to provide the requisite development and management input.
 - (d) The meeting noted that ORI was a USA based hospital developer and manager, and was currently doing some work in the United Kingdom (UK) and Cyprus. ORI had set up a UK subsidiary, which had developed and was managing private hospitals which served the National Health Service patients, through a contract with the UK Department of Health. In Cyprus, ORI and VUMC were involved and consulting for a specialist facility called the “American Heart Institute”.
 - (e) VUMC on the other hand, was also a leading USA entity in healthcare delivery, and in the application of information technology to clinical activity/setting. The VUMC School of Nursing was also a leader in developing and training of nurse practitioners.
- 7.2 (i) **List of Service Providers on the website** - (Refer to Minute 13(1)).
Members were informed that the list of service providers who had signed the Service Provider Contract with PULA was available on the website. The website address was confirmed as www.pulamed.co.bw
- (ii) **Availability of Statements on the Internet**
Members were informed that the service had not yet been provided as the Administrators were still in the process of changing the administration system. The new system which was to be implemented in April 2008 would have the functionality of accessing statements through the internet. **ACTION: AFA**
- (iii) **Review of the Rules**
Members were informed that the Fund had embarked on an actuarial evaluation of the Fund, which would inform any changes to the Rules. Once the report was completed, the Management Committee would meet to facilitate conclusion of the Rules review process. The proposed changes would be presented to the members at an appropriate time. **ACTION: MGMT. COMM.**

(iv) **Emergency Medical Services**

Members were informed that a tender for the provision of emergency medical services had been floated during the period under review. Three bidders had responded; namely:-

- a) MedRescue International Botswana (MRIB)
- b) NetCare 991 Botswana
- c) RescueOne

It was further reported that all the three bidders had not complied with the tender requirements. As such, the tender had had to be cancelled.

Members were informed that due to the above; MRIB's contract had had to be extended to ensure that services continued to be provided to the beneficiaries of the fund.

The meeting noted that the tender would be re-advertised.

ACTION: MGMT. COMM.

8. COMMENTS ON MATTERS ARISING

8.1 Mr B Reetsang

The member wanted to know why the three companies which tendered for the provision of emergency medical services did not comply with the tender requirements.

Response

The Administrators explained that the companies did not meet certain primary requirements of the tender. However, it was hoped that through the re-tendering process, they would fulfill the requirements

8.2 Mrs T Van Niekerk

The member raised a concern that if the current service provider also failed to comply with the requirements of the tender, then this raised concern over the quality of the service rendered by the provider. She further enquired as to whether in evaluating the bids; the Management Committee looked at the financial factors only without considering the quality of service.

Response

Members were informed that the reasons for non-compliance by the bidders could not be discussed in the meeting, but had nothing to do with technical capacity or lack thereof to carry-out the underlying responsibilities. The Administrators assured the members that in evaluating the bids, both the financial and quality aspects were considered.

9. **MANAGEMENT COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE 2007**

On the basis that the written report had been circulated with the notice of the AGM, the Chairman summarised the year's operations as follows:-

- i) The year 2006/07 was the second consecutive year in which the Fund had not performed well, financially. The Fund recorded an underwriting loss of P15 658 751 in 2006/07 compared to a loss of P4 187 925 in 2005/06. This was mainly due to increased claims costs.
- ii) From an operational perspective, the Fund had performed well. It was continuing to achieve its objective of assisting members defray expenditure incurred on health services. The Fund also maintained a healthy level of reserves, which assured the members of the Fund's ability to honour claims submitted for payment. The solvency margin of the Fund also remained at a satisfactory level (120%) during the year under review.

9.1 Contributions Income

Contributions income for the Fund stood at P61 522 753 in 2006/07 compared to P50 839 671 reported for the year ended 30 June 2006.

This represented an increase of 21%. The increase was mainly due to the growth in membership as well as the premium increases implemented on 01 July 2006.

9.2 Claims Paid Costs

The claims paid costs had increased by 33% from P52 429 740 in 2005/06 to P69 721 432 for the year under review. This was a marked increase when compared to the previous year's increase of 25.7%. It was noted that the P69 721 432 included a VAT component of P4 292 973, which the Fund paid on behalf of its members.

9.3 Administration Expenses

Administration expenses increased by 23.7% from P10 188 187 in 2005/06 to P12 602 522 for the year under review.

A large (48%) portion of the administration expenses went to the administration fees paid to the Fund Administrators, AFA Botswana. The administration fees had increased by 12.4%, year-on-year, partly due to the growth in membership.

9.4 Total Reserves

The Fund recorded an 11.3% decrease in reserves from P83 445 591 reported in 2005/06 to P74 051 792 for the year ended 30 June 2007.

9.5 Membership of the Fund

The Fund recorded a double digit growth in membership. The total membership of the Fund stood at 12 376 as at 30 June 2007, representing a 14.2% growth when compared to 30 June 2006. It was also noted that the number of dependants increased by 28.5% from 14 686 in 2005/06 to 18 872 in 2006/07.

10. DISCUSSION OF THE COMMITTEE REPORT

10.1 Mr B Reetsang

The member raised a concern about the reported deficit. He was of the view that this was possibly a sign that the Fund was going down.

The member also raised a concern over the General Practitioners (GPs) who according to the report did not charge the scaled-down and agreed follow-up consultation tariffs.

The member's view was that since the GPs did not comply with the rules, action should be taken against those concerned since they contributed to the high claims costs.

On the proposed private hospital (Bokamoso Private Hospital), the member enquired about the roles of Operating Room International LLC (ORI) and Vanderbilt University Medical Center (VUMC) and the Bokamoso Board of Trustees as it was not very clear what the roles would be.

Response

Members were informed that the Fund had embarked on a number of initiatives to control and reduce costs. These included the signing of contractual agreements with the service providers. These had provision for the Fund to take the necessary action if the contracted service provider did not comply with the terms and conditions of the agreement.

On the issue of the deficit, the Administrators re-assured the members that the various initiatives implemented with a view to control the costs, were expected to help reverse the adverse trend and ultimately improve the financial position of the Fund.

On the roles of ORI, VUMC and the Bokamoso Board, it was explained that the Bokamoso Board would mainly look at policy matters. ORI, would provide overall project management, as well as to act as the representative of the Trust during construction. They would also be responsible for equipping the hospital. ORI would also provide the administrative systems, policies and procedures; as well as overseeing the hospital staff and management.

VUMC on the other hand would assist in the recruitment and training of clinicians. They were also expected to set and implement best practice clinical protocols and oversee clinical governance. VUMC was ultimately responsible for quality and outcomes at the Bokamoso Private Hospital.

After discussion the Chairman requested the meeting to adopt the Committee Report. Mr Mokwadi Maruping proposed the adoption and he was seconded by Mr Hove.

11. CONSIDERATION AND ADOPTION OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

The Administrators summarised the financial report, and in so doing, covered the elements that had been covered under Minute 9 above. Thereafter, members were invited to comment on the financial report.

12. COMMENTS ON THE FINANCIAL REPORT

12.1 Mr B Reetsang Bank of Botswana Certificates (BOBCs) Interest Income

The member observed that the BOBCs interest income had declined significantly when compared to the previous year. He enquired as to what could have caused the decline.

Response

The Administrators explained that the Fund, like other non-commercial banking institutions, had been disallowed to invest in BOBCs in the previous year. As a result, the Fund had had to invest in other securities, with the result that returns from BOBCs had diminished.

12.2 Mr M Maruping Increased Claims Costs

The member raised a concern over the increased claims costs reported in the year under review. He enquired on what could have caused the increase.

Response

The Administrators explained that the claims costs increased due to a combination of factors, including:-

- i) Membership growth which tended to increase utilisation of benefits. The growth also contributed to the increase as some members joined the Fund with conditions which were costly.
- ii) Disease burdens such as HIV/AIDS.
- iii) Duplication of services. However, this was to be addressed by the recently instituted Patient Referral System.

12.3 Mr Hove

The member enquired whether the actuaries in their evaluation of the Fund, had taken into consideration the levels of contributions paid and what was claimed by the members.

Response

It was explained that the actuaries were responsible for providing advice, which could help Management assure that there was a balance between what was paid as contributions and what was claimed.

12.4 T Van Niekerk

The member raised a concern over the increased administration costs such as the cost for the AGM.

Response

It was explained that administration fees were directly related to the membership such that if there was an increase in membership, the administration fees would increase as well.

Members were also informed that since the design, layout and quality of the AGM report was changed in 2006, the cost of printing the report had gone up.

12.5 Mr M Maruping

The member encouraged the Administrators to strengthen the collection of contributions so as to reduce the debtors' days. He suggested that more staff be employed to work closely with the various employer groups to collect the contributions regularly.

Response

The Chairman thanked the member for his comments and assured him that the Management Committee and the Administrators had taken his advice.

After the discussion, Mr Reetsang proposed the adoption of the financial report for the period ended 30 June 2007. He was seconded by Mrs. Bhagat.

The Chairman declared the report duly adopted.

13. APPOINTMENT OF THE EXTERNAL AUDITORS

The Chairman proposed that KPMG be retained as the external auditors for the financial year 2007/08. He was seconded by Mr Maruping. Consequently, KPMG were appointed the external auditors for 2007/08.

14. ELECTION OF MANAGEMENT COMMITTEE

The Administrators explained that Rule 22.1 provides that a seven (7) member Committee be elected for a two (2) year term, to run the affairs of the Fund. It was further explained that during the course of the year, some members had resigned from the Committee. In this regard, the Rules provided that in the event of a vacancy, some members could be co-opted to make the seven (7) member Committee.

To facilitate the process of electing a new Committee, the Administrators announced that in terms of Rule 22.2, the following Committee members were retiring but being eligible, had been nominated for re-election:

Mr. C Kapalu
 Mr. H Lebotse
 Mrs. C Selelo
 Mrs. G Siamisang
 Dr. A O Motsamai
 Dr. B Thipe
 Mr. P Mmokwa

The Administrators proposed that the above specified candidates be elected as the new Committee. There was no objection and the nominees were unanimously appointed as the Management Committee.

Based on the above, it was declared and confirmed that the composition of the Management Committee of PULA for the next two (2) years, would be as follows:

Mr. C Kapalu – Botswana Building Society
 Mr. H Lebotse – AON Botswana
 Mrs. C Selelo – Botswana Insurance Company
 Mrs G Siamisang – Botswana Unified Revenue Service
 Dr A O Motsamai – Debswana Jwaneng Mine Hospital
 Dr B Thipe – Tati Nickel Mining Company
 Mr. P Mmokwa – Botswana Ash

15. GENERAL

15.1 Mrs T Van Niekerk

The member thanked the management and staff of AFA for the assistance they always accord her. She advised the members to always check their membership details for verification so that if there was any anomaly, corrective measures could be taken without delay.

Response

The Chairman thanked the member for the positive feedback and urged the members to raise issues of concern (if any) so that they could be resolved on time.

15.2 Ms Alice Mwanza-Teneshi

The member raised a concern about a letter she had received regarding the Referral System and the Cardiac Clinic. The member asked for clarification on the matter.

Response

On the Referral System, it was explained that consultation with the various stakeholders, including the members, had taken place.

The Referral System was said to be a very important and necessary initiative that could assist the Fund in assuring the long-term sustainability of the Fund – quite apart from streamlining the access process. The Administrators stated that it had been observed that members consulted specialists without a referral, even for non-specialist conditions. This was costly for the Fund as a specialist would charge specialist rate even for conditions which did not require specialist attention.

On the Cardiac Clinic matter, members were informed that a decision had been taken that members who chose to consult the Clinic would be required to pay cash up-front for services rendered by the Cardiac Clinic. It was further explained that discussions with Dr Bhagat of the Cardiac Clinic were ongoing to see if the situation could be managed differently. **ACTION. MGMT. COMM.**

15.3 Mr B Reetsang

The member observed that the issue of the AGM being held in Gaborone had been raised in various forums. His view was that only people in Gaborone benefited from such meetings as those outside may find it difficult to attend the AGM.

Response

It was explained that the constitution provided for one AGM to be held to enable planning. Members were, however, informed that throughout the year, the Administrators visit employer groups throughout the country to get feedback from the members, as well as to share information with them.

15.4 Ms Dora Motlhale

The member enquired as to whether a member could be assisted after exhausting their annual benefit limit for a particular category of service.

Response

Members were informed that, where a member would have exhausted his/her benefit entitlement; such a member could apply for an ex-gratia award. This was an additional assistance provided subject to availability of funds and the Rules. The Management Committee had responsibility to decide on such requests.

15.5 Kagiso Potongwane

The member enquired on the Family - Doctor registration process. He wanted to know if members were returning the completed forms.

Response

It was reported that the registration process was going well and that some completed forms had been received. It was, however, explained that there were minor issues here and there which required clarification; but on the whole the process was going well. It was also explained that the process of members returning the forms was expected to take a few months.

15.6 Ms Alice Mwanza-Teneshi

The member wanted to know what would happen if a member had an emergency and the registered doctor was not available.

Response

It was explained that if the registered doctor was not available, a member could access any doctor of their choice in case of an emergency.

16. CONCLUSION

The Chairman thanked the members for attending the Annual General Meeting and for their input in the deliberations. He wished them well during the festive season and hoped that they have a prosperous New Year.

17. DATE OF NEXT MEETING

The next meeting would be held before 31 December 2008. The date and the venue would be communicated in due course.

**ATTENDANCE AT THE MEMBERS' ANNUAL GENERAL MEETING (AGM)
HELD AT THE GABORONE SUN CONFERENCE CENTRE ON 07 DECEMBER
2007, AT 11:30**

- | | |
|----------------------------|-----------------------|
| 1. K D L Ineeleng | 21. Tapiwa Mdojwa |
| 2. P Mmokwa | 22. Moabi T Madisa |
| 3. R T Tatedi | 23. Duncan Thela |
| 4. E Shamakumba | 24. Li Lian |
| 5. C Selelo | 25. Tutu Lenong |
| 6. L Hove | 26. G Van Vuuren |
| 7. L Moagi | 27. K Narula |
| 8. Kabelo Ebineng | 28. T P Van Niekerk |
| 9. Priscilla S Chaba | 29. T Chabalala |
| 10. Khumalo Mabutho | 30. N N Mashalaba |
| 11. Kagiso Potongwane | 31. Delver K Otladisa |
| 12. Keorapetse C Ookeditse | 32. T Tsara |
| 13. Baboloki Reetsang | 33. Lillian Gabosekwe |
| 14. Priscilla S Marukutira | 34. M T Alice |
| 15. O A Motsamai | 35. Mandu Kentshitswe |
| 16. M Maruping | 36. Nita Bhagat |
| 17. M Matome | 37. Lindsey Jones |
| 18. Dominic Motsu | 38. V Sebolao |
| 19. Mokoko Gaboutloeloe | 39. M S Basupang |
| 20. Dorah P Motlhale | 40. C I Eze |



REPORT TO THE MEMBERS FOR THE YEAR ENDED 30 JUNE 2008

On behalf of the Management Committee of the Pula Medical Aid Fund Trust (PULA), I am pleased to present this 17th Annual Report to the members. The report mainly covers the financial and operational performance for the year ended 30 June 2008; as well as some key activities and developments, which took place during the year.

1. GENERAL OVERVIEW

The Fund recorded a net deficit of P6 362 038. This reflects an improved performance when compared to the deficit of P15 658 751 recorded for the year ended 30 June 2007. The year 2007/08 was the third consecutive year in which the Fund did not perform satisfactorily from a financial perspective, as evidenced by the net deficit recorded.

This extended deficit trail is partly the result of claims costs continuing to increase, albeit at a relatively lower rate (11.1%) than the increases recorded in the previous two years. As in prior years, the 2007/08 contribution income was not adequate to cover the claims costs and other expenses; hence the need for the Fund to draw down on reserves to finance the deficit. Despite this position, the solvency margin for the Fund remained healthy at 79.2%.

The claims ratio (93.6%) for the Fund improved quite significantly, when compared to 113.3% reported for 2006/07 (previous year).

In order to address the problem of the continuing escalation of claims costs, the Management Committee of the Fund, implemented some cost control initiatives during the financial year under review. These include the Doctor-Patient Registration, Referral System and the removal of a certain practice from the direct payment arrangement. The Fund has already started benefiting from these initiatives. The Committee will continue, in the next year, to identify and consider other cost control measures.

Notwithstanding the unsatisfactory financial performance, the Fund performed satisfactorily from an operational perspective as it managed to achieve its main object of assisting members defray healthcare expenses incurred by themselves and their dependants.

Regarding membership growth, 2007/08 was another good year for the Fund. For the third consecutive year, the Fund recorded double digit membership growth. The Fund's membership grew by 16.9% relative to 2006/07. This significant growth is considered good given the competition prevailing in the market. It is also proof that the PULA brand is well accepted and more recognised in the market.

With regard to other initiatives, I am happy to report that a lot of progress has been achieved on the Bokamoso Private Hospital development; with construction having started in March 2008. The hospital is due for completion in late 2009.

Progress was also recorded on the review of the PULA Rules. The review exercise was completed by the Management Committee during the year under review. The draft revised Rules will be presented to the general membership for approval, at a date to be advised.

Overall, 2007/08 was a relatively good year for the Fund than the past two years. As the Management Committee, we remain optimistic that the improvement on the bottom-line of the Fund will continue into the next year and thus enable the Fund to come out of the operating deficit position reported over the last few years.

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 2008.

2.1 Review of the Income Statement

Total contribution income for the Fund stood at P82 788 283. This represents growth of 34.6% when compared to the P61 522 753 reported in 2006/07. This significant growth in contribution income was mainly due to the premium increases effected on 01 July 2007 and the 16.9% growth in membership.

On the expenditure side, claims costs increased by 11.1% from the P69 721 432 reported in 2006/07 to P77 461 000 in 2007/08. The increase in claims costs was among others, due to the 7.5% tariff increase awarded to service providers effective 01 July 2007 and growth in membership. The latter resulted in increased utilisation of benefits. The analysis of the changes in claims costs is provided in detail in section 2.2 below.

2.2 Claims Paid Costs

During the year under review, claims costs increased by 11.1% from the P69 721 432 reported in 2006/07 to P77 461 000.

Members should note that these figures include Value Added Tax (VAT) as the Fund pays it on behalf of members. The 11.1% increase further indicates a significant improvement, when compared to the 33% reported in the previous year.

Generally, the increase in claims costs was due to the following:

- Increase in tariffs. During the year under review, a tariff increase of 7.5% was awarded to service providers.
- The growth (16.9%) in membership. As membership grows, benefit utilisation, by the beneficiaries, also increases.
- Increase in the number of service providers registered to provide

service to the beneficiaries. Seven (7) new providers were registered during the year. In addition, more access to healthcare services was provided by the existing providers as they increased their capacity.

Figure 1 below is a graphical presentation of the claims costs for the various categories of service. The graph compares the year under review (2007/08) with 2006/07.

figure 1

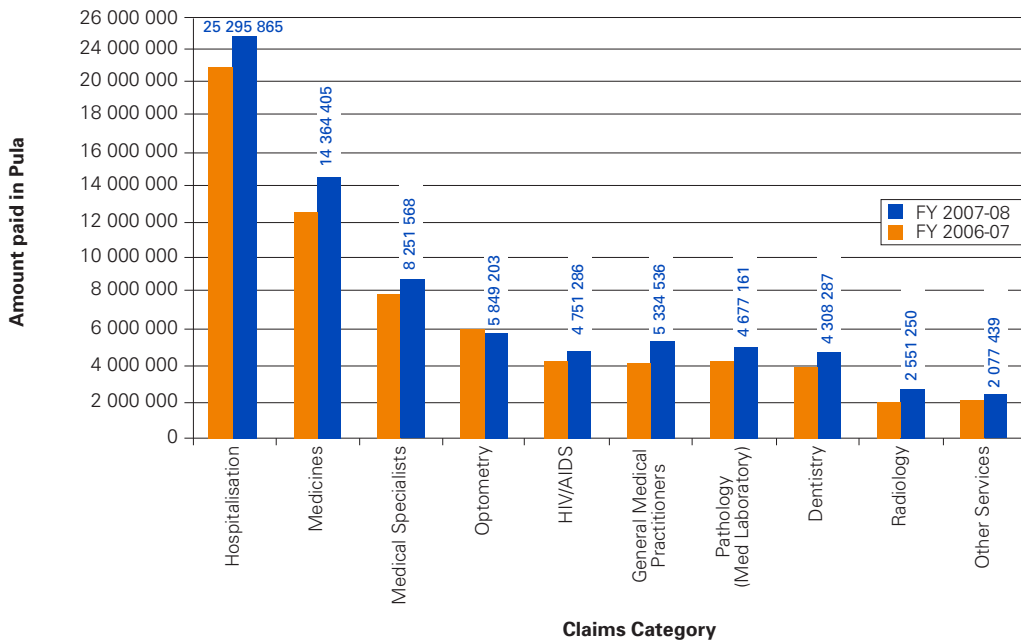
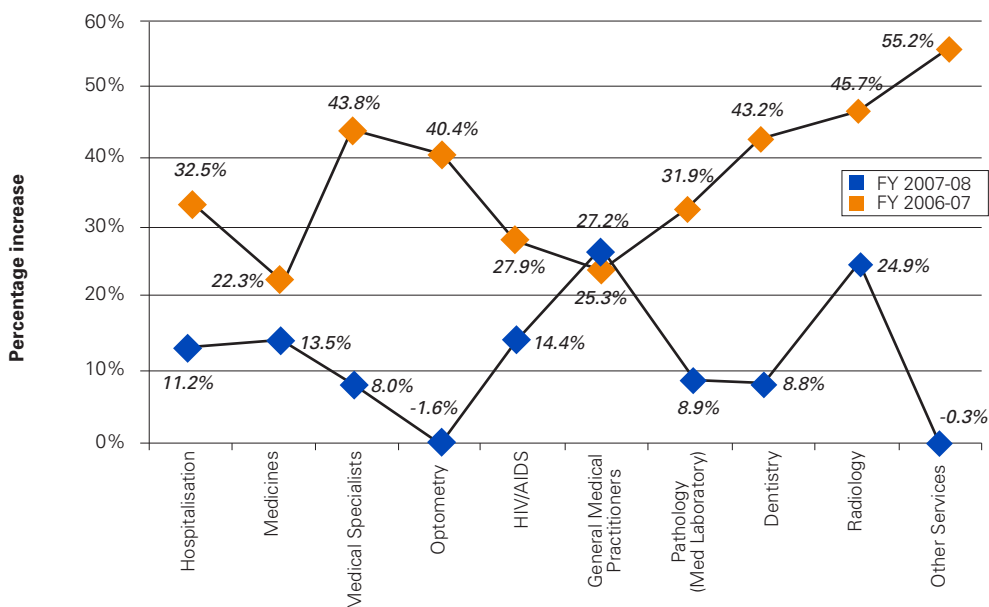


Figure 2 below shows the year-on-year increases/decreases in claims costs for 2006/07 and 2007/08.

figure 2



The above line graph indicates that generally, claims costs for the various categories of service, increased at relatively lower rates in 2007/08 than in 2006/07. This is indeed good as it indicates that costs are now moving in the desired direction.

Below is a brief analysis of the claims costs for each of the categories of service.

2.2.1 Hospitalisation

Claims costs relating to hospitalisation increased by 11.2% from the P22 751 003 reported in 2006/07 to P25 295 865 during the year under review. Local hospitals constituted 78% of the total costs whilst foreign hospitals accounted for the remaining 22%.

Regarding local hospitals, 34% of hospitalisation costs were attributable to the Gaborone Private Hospital (GPH) whilst 37% was attributable to Debswana Orapa and Jwaneng Mine hospitals.

During the year under review, a new private hospital opened in Francistown, and one employer-based clinic opened near Matsiloje. These two facilities were subsequently registered with the Fund. They started providing services to PULA beneficiaries in January 2008 and December 2007, respectively.

2.2.2 Medicines

Claims costs due to medicines increased from P12 656 155 in 2006/07 to P14 364 405. This represents a year-on-year increase of 13.5%, which is lower than the 22.3% reported in 2006/07.

Members are to note that this category of service includes all outpatient medication i.e. acute, psychiatry and chronic. Anti-retroviral drugs are excluded as they are accounted for separately.

The top claiming facilities for general outpatient medication were the Debswana Orapa Mine hospital (19%) and the GPH at 6.5%.

Further analysis of the medicines claims costs revealed the following:

- a) Acute medication accounted for almost 90% of the costs.
- b) Chronic medication for registered beneficiaries accounted for 9% of the costs.
- c) Psychiatry medication accounted for only 1% of the costs.

2.2.3 Medical Specialists

Medical Specialists claims costs increased by 8% from the P7 641 412 reported in 2006/07 to P8 251 568 during the year under review. The 8% increase

indicates a significant improvement from the 43.8% increase recorded in 2006/07.

The relatively low increase in Specialists' costs could be attributable to the following:

- a) Primary Care Provider initiatives implemented during the year under review. Though the full impact of the referral system will only be realised in the next financial year, the intensive member education undertaken regarding the doctor-patient registration and the referral system, has influenced a favourable change in behaviour of the beneficiaries. As a result, there was a shift in costs from Specialists to General Practitioners due to this favourable change in behaviour.
- b) Slight decline in the cost of procedures. During the year under review, the cost of procedures due to specialists was 65% of total specialists' costs; whilst in 2006/07 it was 70%.
- c) Cost savings due to the termination of a certain practice from the direct payment arrangement.

2.2.4 Optometry

During the year under review, total claims costs due to optical services declined by 1.6%. In 2006/07, P5 943 482 was paid, whilst in 2007/08 the figure reduced to P5 849 203. The improvement in utilisation of benefits could among other factors, be attributed to the active discussions during the year, between the Administrators and the representatives of the Optometry Profession Group.

Issues discussed include the rationale utilisation of benefits and compliance with the Fund Rules, specifically on optical benefits.

2.2.5 HIV/AIDS Drugs

Claims costs relating to HIV/AIDS drugs increased by 14.4% from the P4 154 157 reported in 2006/07 to P4 751 281 during the year under review. The increase in claims costs was due to:

- a) Increased enrolment on the PULA Anti-retroviral Therapy Programme (ART). This stood at 19%, relative to the previous year.
- b) Cost recovery by some major employer groups where the cost of HIV related services that were previously borne by the employer have now been transferred to the Fund.

2.2.6 General Medical Practitioners

The General Medical Practitioners' (GPs) costs increased from P4 195 469 in 2006/07 to P5 334 536 during the year under review. This represents an increase

of 27.2%, which is the highest recorded in 2007/08.

The increase in costs was mainly due to the following:

- a) the membership growth of 16.9% recorded in 2007/08. This resulted in increased utilisation of benefits.
- b) increased access to GPs due to new practices being registered and the existing ones increasing their capacity.
- c) the shift from Medical Specialists to GPs, by the beneficiaries, following the November 2007 announcement by the Fund management, to implement Doctor-Patient Registration and the Referral System.

2.2.7 Pathology

Pathology claims costs increased by 8.9% from the P4 296 084 reported in 2006/07 to the P4 677 161 during the year under review.

Given the 19% growth in the ART enrolment, one would have expected a relatively higher increase in costs than what has been recorded. Nevertheless, the relatively low increase (compared to the 31.9% recorded in 2006/07) was among others, due to the reduction in frequency of HIV monitoring tests as more service providers adhered to the monitoring schedule recommended in the national guidelines. This is a very positive development.

2.2.8 Dentistry

Claims costs relating to dental services increased from P3 958 323 in 2006/07 to P4 308 287 during the year under review. This represents an increase of 8.8%. The increase is significantly lower than the 43.2% reported in 2006/07.

2.2.9 Radiology

Radiology recorded the second highest (24.9%) year-on-year increase during the year under review. The costs increased from P2 042 776 in 2006/07 to P2 551 250 in 2007/08.

The year 2007/08 saw an increase in utilisation of benefits associated with dread disease, including cancer/oncology. Consequently, the increase in utilisation of dread disease benefits resulted in increased need for diagnostic services.

2.2.10 Other Services

Services included in this category are physiotherapy, paramedical services, dread disease and allied health services.

This category of service recorded an insignificant (0.3%) decrease in claims costs.

2.3 Administration expenses

Administration expenses increased by 23.9% from P12 602 522 in 2006/07 to

P15 615 805 in 2007/08. The administration fees paid to the administrators, AFA, accounted for 49% of these expenses. The fees increased by 27.3% due to the growth in membership. However, the rate paid per member per month remained unchanged from 2006/07.

Other components that recorded significant increases were:

Cost Component	Year-on-year increase
Consultancy Fees	210.8%
Funeral Policy Premium	12.5%
Medical Evacuation Premium	16.5%
Promotions and Advertising	69.4%
Trustees' Fees	160%

Consultancy fees increased significantly due to additional actuarial investigation carried out during the year, to assess the financial position of the Fund.

Regarding funeral policy premium paid to Botswana Life Insurance Limited, for underwriting funeral benefits, the costs increased due to the increase in membership as the premium is paid on a per member basis. However, the Fund was able to negotiate an increase in the funeral benefits without a related increase in premiums. In general, benefits were increased by P15 - P250 for the Standard Benefit Option and P25 - P500 for the De-luxe Benefit Option.

Medical evacuation premium paid to MedRescue International Botswana (MRIB), also increased due to the growth in membership as the premium is also paid on a per member basis. The rate paid per member remained the same during the year underreview.

Promotions and advertising costs increased significantly (by 69.4%) due to increased competition and the need to promote the PULA brand in the market. However, the increase in costs has already started bearing fruit as evidenced by the membership growth recorded during the year under review.

Trustees' fees increased by 160% as more Trustees were appointed during the year. Previously, the Fund had five (5) Trustees. In order to make the Board more effective there was need to bring on board additional skills. As a result, four (4) additional Trustees were appointed during the year; resulting in more fees being paid in 2007/08 than in the previous year.

In addition, the Management Committee met more frequently during 2007/08 due to more work. As a result, more fees had to be paid to the Committee during the year. The other factor that contributed to the increase was the payment of travel and accommodation costs, for one of the Committee members, following

the employer's decision not to continue bearing the costs.

2.4 Investment and Interest Income

Investment and interest income declined by 26.3% during the year under review. This was because the Fund had to liquidate some of its investments to finance the Bokamoso Private Hospital project.

3. REVIEW OF THE BALANCE SHEET

Despite the net deficit of P6 362 038, the overall balance sheet of the Fund remained healthy during the year under review.

The key elements of the balance sheet are briefly analysed below:

3.1 Total Assets

Total assets declined by 6.3% from P87 295 408 in 2006/07 to P81 774 497 during the year under review. Investments and bank balances declined significantly as a result of high claims and administration costs that needed funding from sources other than contribution income received. However, investment in non-current assets increased mainly due to an investment of P15 644 124 in the Bokamoso Private Hospital project.

3.2 Total Reserves

The Fund recorded a reduction of 11.5% (P8 518 695) in reserves during the year under review. The reserves stood at P65 533 097, relative to the P74 051 792 reported for the year ended 30 June 2007. Consequently, and after accounting for the investment in Bokamoso, the solvency margin of the Fund decreased from 120.4% in 2006/07 to 79.2% in 2007/08. However, the 79.2% is still a good margin as the Fund uses the South African statutory solvency margin of 25% as a benchmark.

The reserves went down mainly because the contribution income received during the year was not adequate to cover the claims and administration expenses. As a result, there was need to draw down on reserves to finance the gap.

3.3 Total Liabilities

Total liabilities for the Fund increased by 22.6% from P13 243 616 in 2006/07 to P16 241 400 in 2007/08. The increase was mainly due to the increase in claims costs. This necessitated an increase in the provision for outstanding claims; which provision increased by 18.1% to P11 082 983.

4. MEMBERSHIP

The year 2007/08 was the third consecutive year in which the Fund recorded double-digit membership growth. The total membership of the Fund stood at

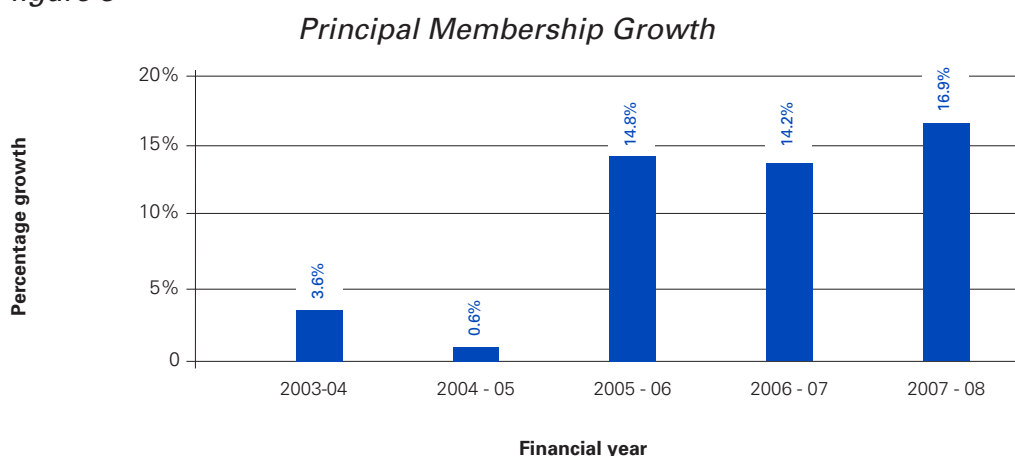
14 464. This represents growth of 16.9% when compared to the 12 376 reported in 2006/07.

In terms of the two benefit options, 26.3% (3 810) of the membership were on the Standard Benefit Option whilst the remaining 73.7% (10 654) were on the De-luxe Benefit Option.

With regard to dependants, 18 446 were registered as at 30 June 2008, compared to the 18 872 reported in 2006/07. Given that there has been a reduction in the number of dependants covered, it means that the growth recorded in the Fund's membership was mainly due to the growth in principal members.

For comparison purposes, figure 3 below shows the trend of the membership growth over the past five years i.e. 2003/04 - 2007/08. It is evident from the graph that the Fund has performed well over the past three years.

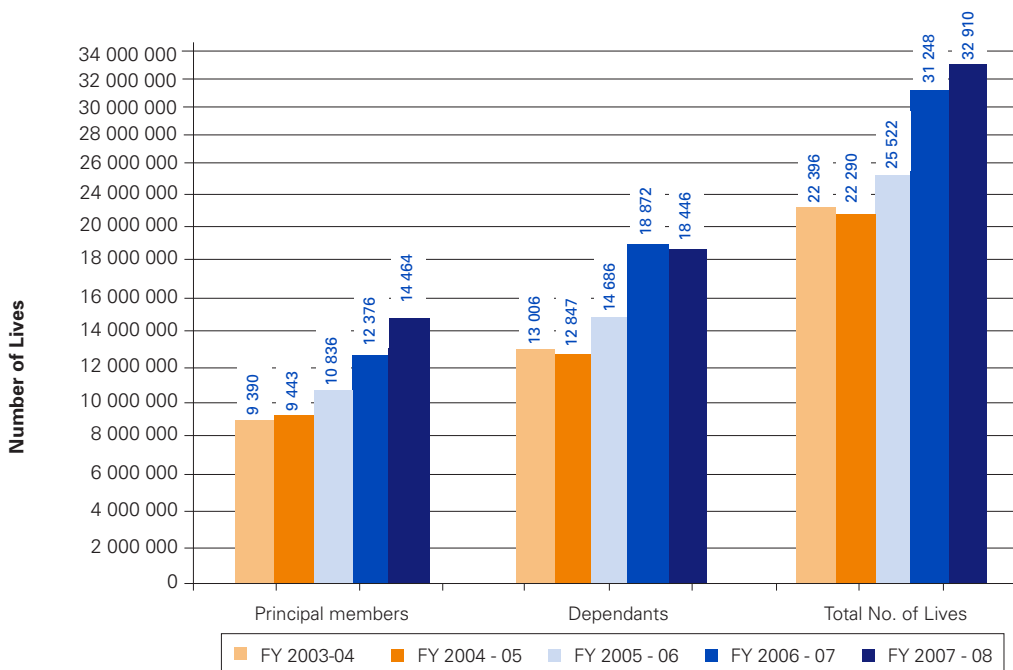
figure 3



It has been possible for the Fund to record impressive membership growth as a result of the increased marketing activities undertaken since 2005/06.

Figure 4 below gives a graphical presentation of the number of principal members, dependants and total lives covered in the past five years. Likewise, the graph shows a trend that is consistent with what has been discussed above, where membership and total lives covered have been increasing since 2004/05.

figure 4



Whilst the Fund continues to grow, it is still necessary to continue with the sales and marketing activities in order to ensure that PULA takes a leadership position in the “open medical aid schemes” market.

5. OTHER MATTERS

5.1 Bokamoso Private Hospital

Members should note that during the year under review, significant progress was made regarding the Bokamoso Private Hospital development.

The achievements made during the year include:

- a) The establishment of a 10-member Board of Trustees. PULA has four (4) representatives, whilst the Botswana Public Officers’ Medical Aid Scheme (BPOMAS) has six (6). Each of the substantive Trustees has an alternate.
- b) Appointment of the project team for the construction of the hospital. This includes Project Manager, Contractor, Quantity Surveyor, Architect and Engineers.
- c) Conclusion and signature of agreements between the Bokamoso Private Hospital Trust and the technical advisors, being Operating Room International LLC (ORI) and Vanderbilt University Medical Center (VUMC).
- d) Granting of permission to build the hospital by the Ministry of Health.

- e) Appointment of external auditors (KPMG) and Secretaries (AFA Botswana (Pty) Ltd).
- f) Commencement of construction in March 2008. Construction is expected to be completed by October 2009, whilst the hospital would be operational early November 2009.
- g) Ongoing consultations with the relevant stakeholders.

5.2 HIV/AIDS Benefit Management

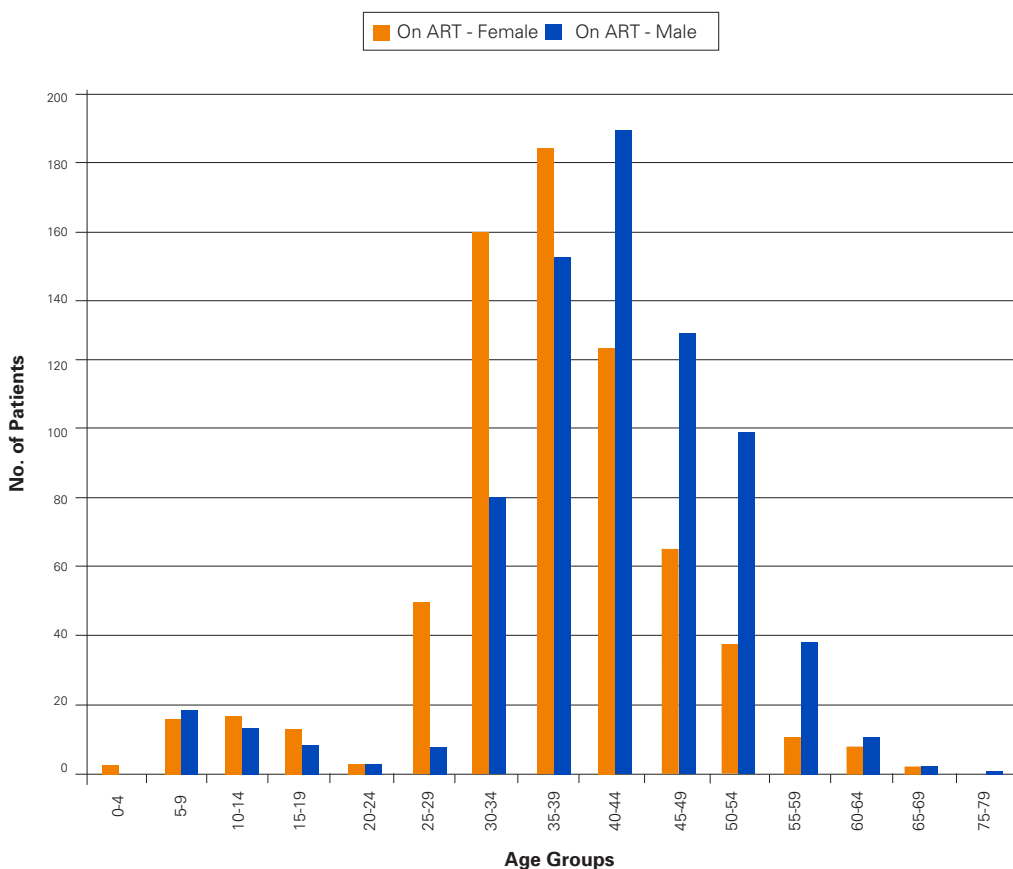
During the year under review, enrolment on the PULA Anti-Retroviral Therapy (ART) Programme increased by 19.1%.

In 2006/07, 1 191 patients were enrolled, whilst in 2007/08, 1 419 were enrolled.

The gender distribution of the patients was 47.6% females and 52.4% males.

Figure 5 below shows the age and gender distribution of the patients on the programme as at 30 June 2008.

figure 5



As in the previous reports, the above graph shows that those who are economically active (age 29-59), are the most affected.

5.3 Marketing/Promotion of the Fund

The 2005-08 PULA Marketing Strategy expired in June 2008. As a result, a new Strategy will be developed, upon completion of the Corporate Strategy which is to be developed for the Fund in 2008/09.

Some of the marketing initiatives implemented during the year under review include:

- a) New Baby Campaign. Through this campaign, new mothers are given a gift bag containing PULA branded baby clothes, a congratulations card and Additional Member Application Form to facilitate registration of the new baby. The campaign is currently run through the Gaborone Private Hospital (GPH) and the Debswana Jwaneng and Orapa Mine hospitals.
- b) Value Added Partnership Programme (VAPP)

This programme was previously known as the Strategic Partners Programme; and has since been re-named VAPP.

During the year under review, more partners were identified and included in the programme. The current list of partners includes:

- Sony Ericsson - 5% discount on any of their products at the Gaborone and Francistown shops
- Cresta Marakanelo Hotels (excluding Mowana Safari Lodge) - 10% discount on accommodation during the week and 30% during the weekend.
- Haskins - 20% discount on discountable items.
- Lapologa Magazine - 30% discount on annual subscriptions.
- Gym Active - 10% discount on memberships.
- The Studio Gym (Maun) - 10% discount on subscriptions.
- Furniture Paradise/Furniture Sensation/K & N Furnishers - 17.5% discount on cash purchases.
- Security Systems - 10% discount on installation charges.
- Art of Living Botswana - 10% on adult beginners programme.
- Quest for Beauty - 10% on all types of massages.
- Seabelo Travel and Tours - 5% on tours and packages fare
- Fitness and Muscle Club (Kanye) - 10% on subscriptions.
- Fleximind Health and fitness studio (in Francistown, Phase 4) - 15% on monthly subscriptions.
- GTV - 12.5% discount on full installation or free subscription fee for the first month.
- Altech Netstar Botswana - free sleuth for 1 year contract or upgrade to an early warning system.

The list will continue to grow as management and the Administrators identify and add more partners. The intention is to have a well-spread programme that

could be accessed by the majority of the membership.

5.4 Doctor-Patient Registration & Referral System

During the year under review, the Fund introduced a Doctor-Patient Registration and Referral System as part of the cost control measures, as well as improvement of patient care and management.

Members were given the period 01 November 2007 to 30 June 2008, to have registered their primary doctor/facility. The Referral System was to take effect from 01 July 2008.

As at 30 June 2008, 6 066 members had already registered their primary doctors/facilities, out of a total membership of 14 464. Given the relatively low numbers, there is need to encourage the remaining members to register their primary doctors/facilities.

The registration process is, however, an ongoing process as new members would also be required to register their primary doctors/facilities and other members move to different primary care doctors/facilities.

5.5 Removal of a certain practice from Direct Payment

During the year under review, the management of the Fund took a decision to terminate a certain practice from the direct payment arrangement. The decision took effect on 01 November 2007.

In terms of the decision, any member/beneficiary consulting the said practice is required to pay cash upfront and thereafter seek reimbursement from the Fund. This decision still stands.

5.6 Rules Review

The review of the Fund Rules was concluded by the Management Committee during the year. The Committee is, however, still to prepare a report and present the draft revised Rules to the general membership for consideration and approval.

It is expected that this will be done during the financial year 2008/09.

5.7 Provision of Emergency Medical Services

During the year under review, a tender was published, inviting interested and qualifying entities, to tender for the provision of emergency medical services to the beneficiaries of PULA.

The tender was advertised twice but no entity qualified to be awarded the tender in both instances. Consequently, the Management Committee instituted a different system for selecting and appointing a provider. Following this process, a decision was made to award the contract to MedRescue International Botswana (MRIB) for a period of three (3) years, commencing on 01 September 2008.

5.8 Appointment of an Actuary

During the year under review, the Management Committee of the Fund decided to appoint an actuary, to provide ongoing actuarial services to the Fund. The Fund had previously engaged actuaries on an adhoc basis; that is, as and when necessary. However, as part of the improvement of the Fund's management, the Committee found it necessary to appoint an actuary on a fixed-term contract.

Consequently, Deloitte Actuarial Solutions of South Africa were appointed to provide the service, for a three (3) year period, commencing on 01 July 2008.

6. MANAGEMENT OF THE FUND

The day-to-day operations of the Fund are managed and supervised by a seven-member Management Committee appointed in terms of the Rules of the Fund. The Committee is made up of individuals with diverse skills and experience, who apart from ensuring efficient management of the Fund, have committed their own time and that of their employers to ensuring that PULA is well-managed and remains sustainable in the long-term.

The Management Committee works on a day-to-day basis with the Administrators, AFA Botswana. In addition to carrying out the day-to-day activities of the Fund, AFA Botswana provides professional advice and support to both the Management Committee and the Board of Trustees.

The Board of Trustees is appointed in terms of the Deed of Trust of the Fund. The Trustees' main responsibility is to provide strategic leadership and guidance to both the Management Committee and the Administrators. In order to strengthen the effectiveness of the Board, additional members were appointed during the year under review. The skills brought to the Board include legal, actuarial, finance and health.

We wish to extend our sincere gratitude to Mr Andy Fourie from the Board of Trustees and Mrs Cornelia Selelo of the Management Committee, who left the office during the financial year under review. We also wish to extend our warm welcome to all the members who joined the Management Committee and the Board of Trustees during the year under review. We look forward to their valuable contribution.

7. THE FUTURE

The year 2007/08 was a difficult but relatively better, from an operational and financial perspective, than the past two years. Whilst the profitability and the claims ratio of the Fund improved, we continued to see deterioration in the level of reserves and solvency margin.

The Committee, however, remains optimistic, that going forward, the challenging situations reported above will be reversed. The task now is to ensure that whilst the claims ratio improves as a result of cost control initiatives implemented,

ways should be identified to ensure that the reserves also increase. The development of a Corporate Strategy in 2008/09 will go a long way in assisting with the reversal of the deterioration of the solvency margin and the reserves.

As already mentioned in the report, during the year under review, the Fund introduced and implemented a Referral System as part of the cost control measures. It is, therefore, the Committee's responsibility to ensure that the Referral System achieves the desired goal of cost-effectively managing patient care. We will continue the ongoing member education campaign to ensure that all members/beneficiaries and the service providers, make this System a success.

On the operational side, the challenge for the management is to maintain the impressive membership growth recorded and to ensure that this growth does not negatively impact on the financial position of the Fund. In addition, our service delivery will have to improve further to facilitate the retention of existing members, as well as attracting new members. Overall, it is desirable that our processes improve in totality, in order for PULA to remain competitive in this highly dynamic market.

8. CONCLUSION

The year ended 30 June 2008, was a relatively better year, as evidenced by the improved operational and financial performance, when compared to the year ended 30 June 2007. Whilst some of the fundamentals improved; for example, claims ratio and profitability, other areas (reserves and solvency margin) continued to deteriorate. We, therefore, have a challenge to ensure that these areas also improve in the next financial year. It is also important and critical that the net deficit recorded during the year under review, is translated into a surplus in the next financial year.

We remain optimistic that the cost control initiatives currently under implementation, and those yet to be identified, will assist the Fund in reversing the current unacceptable financial position. Members are encouraged to support these initiatives by exercising prudence when utilising the services of health practitioners.

The management of the Fund notes and acknowledges the progress that has been made regarding Bokamoso Private Hospital. This is one development that is expected to assist PULA in its mission of cost control, in the medium to long run. We also believe that the hospital will provide improved access to private hospital services, for the beneficiaries of the Fund.

During the next financial year, the management of the Fund will develop a Corporate Strategy for the Fund. This will define a road map for PULA, going forward. The Strategy development process will assist management in defining and understanding the challenges that the Fund is currently facing and ultimately inform what needs to be done going forward, to ensure that PULA remains the "preferred open scheme" in the Botswana market.

In conclusion, I wish to thank all the participating employer groups and members, for their continued support and co-operation. I also wish to pass my sincere gratitude to my colleagues in the Management Committee for their dedication and personal contributions; and encourage them to continue their good work for the benefit of the Fund and its members.

Special thanks go to the Board of Trustees, individually and collectively, for the strategic leadership and guidance that they have provided during the year. We have indeed benefited greatly from the Board's leadership!

Finally, I wish to thank the Administrators of the Fund, AFA Botswana (Pty) Ltd, for their professional advice and dedication, and contribution in the day to day operations of the Fund. We trust that they will continue their good work into the future.



CLEMENT KAPALU
CHAIRMAN

24 October 08
DATE

**Pula Medical Aid Fund
Annual financial statements
for the year ended 30 June 2008**

Contents	Page
Board of Trustees' approval of the annual financial statements	34
General Information	35
Report of the independent auditors	36
Income statement	37
Statement of changes in reserves	38
Balance sheet	39
Cash flow statement	40
Statement of accounting policies	41 - 43
Notes to the financial statements	44 - 53

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 balance sheet at 30 June 2008, the income statement, the statement of changes in equity and cash flow statement 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.

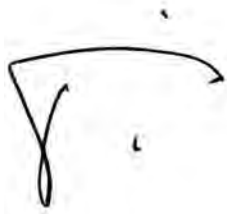
The Board's responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as supplementary schedules included in these financial statements.

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.

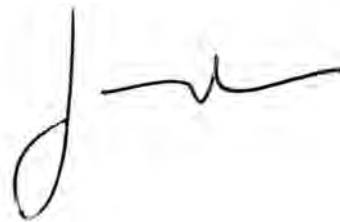
The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements:

The annual financial statements were approved by the Board of Trustees' on 15 October 2008 and are signed on their behalf by:



Chairman



Treasurer

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 14 464 members at 30 June 2008 (2007: 12 376).

Trustees

Mr PD Stevenson (Chairman)
 Mr AJ Fourie (resigned 31/12/07)
 Dr NN Mashalaba
 Mr JM Matome
 Mr B Motubudi (appointed 31/08/07)
 Dr T Moumakwa (appointed 22/01/08)
 Mr A Wingreen (appointed 01/01/08)
 Mr E Schoemaker (appointed 17/10/07)
 Mr L Maine (appointed 31/08/07)
 Dr PN Mazonde (appointed 31/08/07)

Management Committee Members

Mr C Kapalu (Chairman)
 Dr B Thipe (Vice Chairman)
 Mrs C Selelo (resigned 30/06/08)
 Mr P Mmokwa
 Mrs G Siamisang
 Mr H Lebotse

Postal Address

P O Box 1212
 Gaborone
 Republic of Botswana

Registered Address

AFA House
 Plot 61918
 Showgrounds Office Park
 Gaborone

Administrators

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

Bankers

Standard Chartered Bank Botswana Limited
 P O Box 496
 Gaborone
 Republic of Botswana

Auditors

KPMG
 P O Box 1519
 Gaborone
 Republic of Botswana



**KPMG Certificate Public Accountants
Audit**
Bagakolodi House
Plot 50364B, 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 accompanying financial statements of Pula Medical Aid Fund set out on pages 37 - 53, which comprise the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement 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 is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards.

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 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in a manner required by the Societies Act No. 18:01 of 1972.

**KPMG
Certified Public Accountants**

15 October 2008

.....
Gaborone

KPMG, a partnership domiciled in Botswana and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

AG Devlin* NP Dixon-Warren
* British
VAT Number: P03623901112

Pula Medical Aid Fund**Income statement
for the year ended 30 June 2008***In Pula*

	Note	2008	2007
Income from contributions		82 788 283	61 522 753
Benefits paid	1	<u>(79 160 859)</u>	<u>(72 453 701)</u>
Net contribution income		3 627 424	(10 930 948)
Other income		-	239 879
Administration expenses		<u>(15 615 805)</u>	<u>(12 602 522)</u>
Operating deficit		(11 988 381)	(23 293 591)
Investment and interest income	3	<u>5 626 343</u>	<u>7 634 840</u>
Deficit for the year		<u><u>(6 362 038)</u></u>	<u><u>(15 658 751)</u></u>

Pula Medical Aid Fund**Statement of changes in reserves
for the year ended 30 June 2008***In Pula*

	Revaluation Reserve	Retained Earnings	Reinsurance Reserve	Total Reserves
At 1 July 2006	3 226 609	77 170 842	3 048 140	83 445 591
Deficit for the year	-	(15 658 751)	-	(15 658 751)
Change in fair value of investments	6 264 952	-	-	6 264 952
Transfer to reinsurance reserve	-	(697 529)	697 529	-
Payment of dread disease	-	315 604	(315 604)	-
At 30 June 2007	9 491 561	61 130 166	3 430 065	74 051 792
Deficit for the year	-	(6 362 038)	-	(6 362 038)
Change in fair value of investments	(2 156 657)	-	-	(2 156 657)
Transfer to reinsurance reserve	-	(850 938)	850 938	-
Payment of dread disease	-	2 431 924	(2 431 924)	-
At 30 June 2008	<u>7 334 904</u>	<u>56 349 114</u>	<u>1 849 079</u>	<u>65 533 097</u>

Pula Medical Aid Fund

Balance sheet at 30 June 2008

In Pula

	Note	2008	2007
Assets			
Non-current assets			
		59 317 001	51 633 569
Investment in Bokamoso Hospital Project	14	15 644 124	-
Investments	4	43 672 877	51 633 569
Current assets			
		22 457 496	35 661 839
Investments	4	16 292 100	20 241 863
Accounts receivable	5	4 811 307	2 788 838
Cash and cash equivalents	6	1 354 089	12 631 138
Total assets		81 774 497	87 295 408
Reserves			
		65 533 097	74 051 792
Revaluation reserve		7 334 904	9 491 561
Retained earnings		56 349 114	61 130 166
Reinsurance reserve		1 849 079	3 430 065
Current liabilities			
		16 241 400	13 243 616
Provision for outstanding claims	7	11 082 983	9 383 124
Accounts payable	8	5 158 417	3 860 492
Total reserves and liabilities		81 774 497	87 295 408

Pula Medical Aid Fund

**Cash flow statement
for the year ended 30 June 2008**

In Pula

	Note	2008	2007
Operating activities			
Cash receipts from members	9.1	79 508 156	60 888 178
Cash paid for claims	9.2	(77 460 998)	(69 721 432)
Cash paid in respect of administrative expenses	9.3	(13 060 222)	(11 037 289)
		<hr/>	<hr/>
Net cash outflows from operating activities		(11 013 064)	(19 870 543)
Investing activities			
Interest received - non investment call accounts	3	707 250	200 604
Interest received on investments		3 974 103	3 625 328
Dividends received - MRI Shares	3	-	29 452
Disposal of Bank of Botswana Certificates		-	8 835 139
Disposal of MRI Shares		331 817	48 889
Disposal of Stanbic call account and fixed deposit		5 423 533	3 457 503
Matured Government bonds		7 101 127	-
Dividends on BBS shares		914 672	-
Purchase of Stanbic Bank Botswana Limited investments		(366 597)	-
Purchase of Africa Banking Corporation Botswana Limited investments		(327 348)	-
Purchase of African Alliance investments		(1 463 746)	-
Purchase of Botswana Building Society paid up shares		(914 672)	-
Investment in Bokamoso Hospital Project		(15 644 124)	-
		<hr/>	<hr/>
Net cash flows from investing activities		(263 985)	16 196 915
		<hr/>	<hr/>
Decrease in cash and cash equivalents		(11 277 047)	(3 673 628)
Cash and cash equivalents at beginning of the year		12 631 138	16 304 766
		<hr/>	<hr/>
Cash and cash equivalents at end of the year	6	1 354 089	12 631 138
		<hr/> <hr/>	<hr/> <hr/>

Pula Medical Aid Fund

Statement of accounting policies for the year ended 30 June 2008

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 5) and the provision for outstanding claims (Note 7).

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 paid and expressed net of discount received from service providers.

Investments

Where the Fund has the positive intent and ability to hold government bonds to maturity, they are stated at amortised cost less impairment losses.

Other financial instruments held by the Fund are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and in the case of monetary items such as foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Pula Medical Aid Fund

Statement of accounting policies (continued) for the year ended 30 June 2008

Investments (continued)

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

Financial instruments classified as 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.

Reinsurance reserve

This represents appropriations from income that are considered by the Fund's Management Committee to be a necessary provision for catastrophe costs exceeding the basic overall annual limits.

Accounts receivable

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call accounts. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents have a maturity of less than three months.

Accounts payable and provisions

Accounts payable and provisions are stated at their cost.

Investment income

Investment income comprises interest receivable on funds invested and dividend income.

Interest income is recognised in the income statement as it accrues. Dividend income is recognised in the income statement on the date that the dividend is declared.

Recognition and derecognition 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.

Pula Medical Aid Fund

Statement of accounting policies (continued) for the year ended 30 June 2008

Impairment

The carrying amounts of the Fund's assets are reviewed at each balance sheet 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 income statement.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss 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 profit or loss.

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 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 balance sheet date are translated to Pula at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Pula Medical Aid**Notes to the financial statements
for the year ended 30 June 2008***In Pula*

	2008	2007
1. Benefits		
Claims paid	71 216 115	65 428 459
VAT on claims	<u>6 244 885</u>	<u>4 292 973</u>
	77 461 000	69 721 432
Net increase in the claims provision	<u>1 699 859</u>	<u>2 732 269</u>
	<u>79 160 859</u>	<u>72 453 701</u>
2. Administration expenses		
Administration fees	7 652 906	6 010 942
Annual general meeting expenses	197 629	155 342
Audit fees	77 724	62 545
Impairment for doubtful debts	935 480	1 588 500
Bank charges	16 785	37 231
Consultancy fees	787 246	253 285
Managed care program	305 651	262 334
Fidelity insurance	76 500	76 500
Funeral policy premium	503 101	447 384
Legal fees	12 591	28 661
Medical evacuation premium	1 991 144	1 708 964
Postages	217 435	131 331
Printing and stationery	320 628	320 040
Promotions and advertising	2 313 829	1 365 856
Subscriptions	101 376	112 752
Trustees' fees	<u>105 780</u>	<u>40 855</u>
	<u>15 615 805</u>	<u>12 602 522</u>
3. Investment and interest income		
Interest on Bank of Botswana certificates	-	89 537
Interest on Government Bonds	707 250	703 880
Dividends on Botswana Building Society paid up shares	914 672	1 172 278
Realised interest in unit trusts held at African Alliance	683 920	573 405
Interest on other investment bank balances	2 529 006	4 865 684
Interest on bank call accounts	761 177	200 604
Profit on disposal of MRI Limited share	30 318	-
Dividend income - Other	<u>-</u>	<u>29 452</u>
	<u>5 626 343</u>	<u>7 634 840</u>

Pula Medical Aid Fund

**Notes to the financial statements (continued)
for the year ended 30 June 2008**

In Pula

	2008	2007
4. Investments		
<i>(a) Non-current investments</i>		
Fair value at 1 July 2007	51 633 569	43 667 934
Dividends re-invested from Botswana Building Society shares	914 672	1 172 278
Interest re-invested (African Alliance) (note 3)	683 920	573 405
(Decrease)/Increase in fair value (page 38)	(2 156 657)	6 264 952
Disposal of MRI shares	(301 500)	(45 000)
Matured Government bonds	(7 101 127)	-
Fair value at 30 June 2008	<u>43 672 877</u>	<u>51 633 569</u>

The non-current investments shown above are made up as follows:

African Alliance Botswana Value and Global Income funds	21 812 900	23 285 638
Botswana Building Society paid up shares	12 960 777	12 046 104
Med Rescue International (Pty) Ltd 335 000 (2006: 385 000) ordinary shares at P0.90 each (2006: P1.10)	-	301 500
Barclays Bank of Botswana Note - BBB004	5 000 000	5 000 000
Botswana Government bonds	3 899 200	11 000 327
	<u>43 672 877</u>	<u>51 633 569</u>

The investments in securities included above 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 government bonds and Botswana Building Society paid up shares are stated at cost.

	2008	2007
(b) Current investments		
Fair value at 1 July 2007	20 241 863	30 369 759
Disposal during the year		
Stanbic call account and fixed deposit	(5 423 533)	(3 457 503)
Bank of Botswana certificates	-	(8 835 139)
Interest reinvested		
African Banking Corporation	327 348	465 910
Stanbic Bank Botswana	779 826	998 455
African Alliance	366 596	700 381
Balance carried forward	<u>16 292 100</u>	<u>20 241 863</u>

Pula Medical Aid Fund

**Notes to the financial statements (continued)
for the year ended 30 June 2008**

In Pula

	2008	2007
4. Investments (continued)		
<i>(b) Current investments (continued)</i>		
The current investments shown above are made up as follows:		
Investment in high interest earning call accounts	<u>16 292 100</u>	<u>20 241 863</u>
	<u>16 292 100</u>	<u>20 241 863</u>
Current and non-current investments are classified as available-for-sale and are stated at fair value.		
5. Accounts receivable		
Contributions outstanding	7 157 350	3 877 223
Less: Impairment for doubtful debts	<u>(2 523 980)</u>	<u>(1 588 500)</u>
	4 633 370	2 288 723
Sundry Debtors	5 104	76 500
Interest receivable		
- Government and Barclays Bank Bonds	<u>172 833</u>	<u>423 615</u>
	<u>4 811 307</u>	<u>2 788 838</u>
6. Cash and cash equivalents		
Current account	1 090 356	1 154 601
Call account	4 386 148	9 390 268
Pula settlement call account	25 882	5 329 323
Settlement account current	<u>(4 203 305)</u>	<u>(3 349 711)</u>
RSA settlement account	55 008	106 657
	<u>1 354 089</u>	<u>12 631 138</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 account is included in cash and cash equivalents.

Pula Medical Aid Fund

Notes to the financial statements (continued) for the year ended 30 June 2008

In Pula

	2008	2007
7. Provision for outstanding claims		
At 1 July 2007	9 383 124	6 650 855
Provision increase during the year	1 699 859	2 732 269
At 30 June 2008	<u>11 082 983</u>	<u>9 383 124</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.

8. Accounts payable

Trade and sundry creditors		
Associated Fund Administrators Botswana (Proprietary) Limited	1 308 130	411 010
Sundry creditors	225 207	327 919
Provision for AGM expenses and audit fees	236 317	-
Value Added Tax on administration fees	100 418	91 780
Creditors for claims	3 288 345	3 029 783
	<u>5 158 417</u>	<u>3 860 492</u>

9. Notes to the cash flow statement

9.1 Cash receipts from members

Opening contributions receivable		3 877 223	1 654 148
Contributions for the year	(page 37)	82 788 283	61 522 753
Closing contributions receivable	(note 5)	(7 157 350)	(2 288 723)
	(page 40)	<u>79 508 156</u>	<u>60 888 178</u>

9.2 Cash paid for claims

Dread disease claims	(page 38)	(2 431 922)	(315 604)
Claims expenses		(75 029 076)	(69 405 828)
	(page 40)	<u>(77 460 998)</u>	<u>(69 721 432)</u>

9.3 Cash paid in respect of administration expenses

Opening trade and sundry creditors	(note 8)	(3 860 492)	(2 458 638)
Opening debtors and prepayment		500 115	-
Administration expenses	(note 2)	(14 680 325)	(12 602 522)
Other operating income		-	239 879
Closing debtors and prepayment	(note 5)	(177 937)	(76 500)
Closing trade and sundry creditors	(note 8)	5 158 417	3 860 492
	(page 40)	<u>(13 060 222)</u>	<u>(11 037 289)</u>

Pula Medical Aid Fund

**Notes to the financial statements (continued)
for the year ended 30 June 2008**

In Pula

	2008	2007
10. Reinsurance reserve		
At beginning of the year	3 430 065	3 048 140
Transfer from accumulated surplus	850 938	697 529
Transfer to retained earnings	(2 431 924)	(315 604)
	<u>1 849 079</u>	<u>3 430 065</u>

This represents appropriations from income which is considered by the Fund's Management Committee as necessary to cover dread disease costs. The reserve is however available for any other purpose as may be determined by the Management Committee and the members.

Catastrophe costs incurred during the financial year are accounted for through the income statement. A transfer equal to the dread disease costs incurred is made from reinsurance reserve to retained earnings each year. These costs were P2 431 923 in the current financial year (2007: P315 604).

11. Related parties

The Fund has a related party relationship with its Management Committee and Trustees. There were no transactions between the Fund and the related parties other than attendance fees for Management Committee meetings included in Trustees fees of P105 780 (2007: P40 855).

12. Financial instruments

Exposure to interest rate, foreign exchange, credit and liquidity risk occurs in the normal course of the Fund's business. The Fund has a treasury policy which sets out objectives for the maximisation of returns through efficient management of cash flows and specific foreign exchange exposure, to ensure funding requirements are met and to ensure that all treasury assets and liabilities are fairly presented.

Market risk

Fluctuation in interest rates impact on the value of short-term cash investments, giving rise to price risk. Other than ensuring optimum money market rates for deposits, the Fund does not make use of financial instruments to manage this risk.

Other market price risk

Equity price risk arises from available-for-sale equity securities. The Management Committee of the Fund monitors the performance of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Management Committee.

Pula Medical Aid Fund

**Notes to the financial statements (continued)
For the year ended 30 June 2008**

In Pula

12. Financial instruments (continued)

Interest rate risk

The Fund invests with reputable institutions and is subject to normal market interest rate risk. The average effective interest rates on the Fund's interest earning instruments were as follows:

Pula instruments 10 to 12% per annum

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 and
- bank balances.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis.

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:

	2008	2007
Contributions receivables	7 157 350	3 877 223
Other receivables	177 937	500 115
Cash and cash equivalents	1 354 089	12 631 138
Investments	59 964 977	71 875 432
	<u>68 654 353</u>	<u>88 883 908</u>

Pula Medical Aid Fund

**Notes to the financial statements (continued)
For the year ended 30 June 2008**

In Pula

12. Financial instruments (continued)

Exposure to credit risk (continued)

The aging of contributions receivables at the reporting date was:

	Gross 2008	Impairment 2008	Gross 2007	Impairment 2007
Not past due	2 314 478	-	1 108 360	-
Past due 1 - 30 days	1 473 137	-	572 473	-
Past due 31 - 90 days	656 842	-	255 254	-
Past due more than 90 days	2 712 893	2 523 980	1 941 136	1 588 500
	<u>7 157 350</u>	<u>2 523 980</u>	<u>3877 223</u>	<u>1 588 500</u>

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

	2008	2007
Balance at 1 July 2007	1 588 500	-
Additional impairment recognised during the year	935 480	1 588 500
Impairment reversed to the income statement during the year	-	-
Balance at 30 June 2008	<u>2 523 980</u>	<u>1 588 500</u>

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 and excluding the impact of netting agreements:

Non-derivative financial liabilities

	Carrying amount	Contractual cash flows	6 months or less
30 June 2008			
Outstanding claims	11 082 983	(11 082 983)	(11 082 983)
Other payables	4 578 819	(4 578 819)	(4 578 819)
	<u>15 661 802</u>	<u>(15 661 802)</u>	<u>(15 661 802)</u>

Pula Medical Aid

**Notes to the financial statements (continued)
For the year ended 30 June 2008**

In Pula

12. Financial instruments (continued)

Non-derivative financial liabilities (continued)

	Carrying amount	Contractual cash flows	6 months or less
<i>30 June 2007</i>			
Outstanding claims	9 383 124	(9 383 124)	(9 383 124)
Other payables	3 860 492	(3 860 492)	(3 860 492)
	<u>13 243 616</u>	<u>(13 243 616)</u>	<u>(13 243 616)</u>

Exposure to currency risk

The Fund is exposed to foreign currency risk for transactions that are denominated in a currency other than Pula. The Fund does not take cover on foreign currency as it regards the Pula as a stable currency.

The Fund's exposure to foreign currency risk was as follows based on notional amounts:

	SA Rand
2008	
Cash equivalents	55 008
Net balance sheet exposure	<u>55 008</u>
2007	
Cash and cash equivalents	106 657
Net balance sheet exposure	<u>106 657</u>

The following significant exchange rates applied during the year.

	2008	2007
1 BWP		
SA Rand	1.1660	<u>1.1885</u>

Pula Medical Aid Fund**Notes to the financial statements (continued)****For the year ended 30 June 2008***In Pula***12. Financial instruments (continued)****Sensitivity analysis**

A 10 percent strengthening of the Botswana Pula against these currencies at year-end would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

30 June 2008

	Reserves	Surplus or deficit
SA Rand	(5 501)	(5 501)
	<u>(5 501)</u>	<u>(5 501)</u>
	<u><u>(5 501)</u></u>	<u><u>(5 501)</u></u>
30 June 2007		
SA Rand	(10 666)	(10 666)
	<u>(10 666)</u>	<u>(10 666)</u>
	<u><u>(10 666)</u></u>	<u><u>(10 666)</u></u>

A 10 percent weakening of the pula against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Exposure to interest rate risk

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

	2008	2007
Fixed interest rate instruments		
Investments	8 899 200	15 000 237
	<u>8 899 200</u>	<u>15 000 237</u>
Variable rate instruments		
Cash equivalents	1 354 089	12 631 138
Variable interest rate investments	51 065 777	56 573 695
	<u>52 419 866</u>	<u>69 204 833</u>

With average interest rates for cash and cash equivalents at 11,5% a change of 50 basis points in interest rates at the reporting date would have affected Fund profit as shown below:

	2008	2007
Increase of 50 basis points		
Variable rate instruments	262 099	346 024
	<u>262 099</u>	<u>346 024</u>
Decrease of 50 basis points		
Variable rate instruments	(262 099)	(346 024)
	<u>(262 099)</u>	<u>(346 024)</u>

Notes to the financial statements (continued)**For the year ended 30 June 2008***In Pula***13. Accounting estimates and judgements**

There are no critical accounting judgements required in applying the Fund's accounting policies. The Fund's estimates for accounts receivable impairment provision and provision for outstanding claims are continually reviewed and updated and adjustments resulting from this review are reflected in the income statement. 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.

14. Future commitments

Investment by Pula Medical Aid Fund of up to 20% of the Bokamoso Private Hospital total project costs.

Work on the project commenced during the financial year and it is set to continue in the coming year. Costs amounting to P15 644 124.00 had been incurred as at 30 June 2008.

15. New standards and interpretations not yet adopted

IAS 1 Presentation of Financial Statements (amended) - The amendments to IAS 1, which become mandatory for the Fund's 2010 financial statements, will require additional disclosures with respect to the Fund's financial instruments and share capital.

IFRS 8 Operating Segments sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8, which becomes mandatory for the Fund's 2010 financial statements, is not expected to have any impact on the financial statements of the Fund.

IFRIC 12 Service Concession Arrangements. This interpretation addresses disclosures and accounting transactions with regards to private contractors entering into service concessions with the public sector for the construction and maintenance of public sector infrastructure. IFRIC 12, which becomes mandatory for the Fund's 2009 financial statements, is not expected to have any impact on the financial statements of the Fund.

IFRIC 13 Customer Loyalty Programmes. This interpretation addresses disclosures and accounting transactions with regards award credits granted under customer loyalty programmes. IFRIC 13, which becomes mandatory for the Fund's 2010 financial statements, is not expected to have any impact on the financial statements of the Fund.

IFRIC 14 The Defined Benefit Asset, Minimum Funding Requirements and Their Interaction. This interpretation addresses disclosures and accounting transactions in respect of post-employment defined benefits and other long-term defined benefits granted to employees. IFRIC 14, which becomes mandatory for the Fund's 2009 financial statements, is not expected to have any impact on the financial statements of the Fund.

Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 which will become mandatory for the Fund's 2010 financial statements is not expected to have any impact on the financial statements.



Administered by Associated Fund Administrators Botswana (Pty) Ltd

Pula Medical Aid Fund | AFA House Plot 61918 Showgrounds Office Park
P.O. Box 1212 , Gaborone, Botswana. Email: marketing@pulamed.co.bw
Phone: +267 395 1166 | Fax: +267 395 1165

Pula Medical Aid Fund - Francistown | AFA – Autolot House Plot 2074 Suite 104 Blue
Jacket St, Francistown (between Ellerines and Wesbank). Email: marketing@pulamed.co.bw
Phone: +267 241 2390 or 241 2290