



Medical Aid Fund

*We care for your health!*

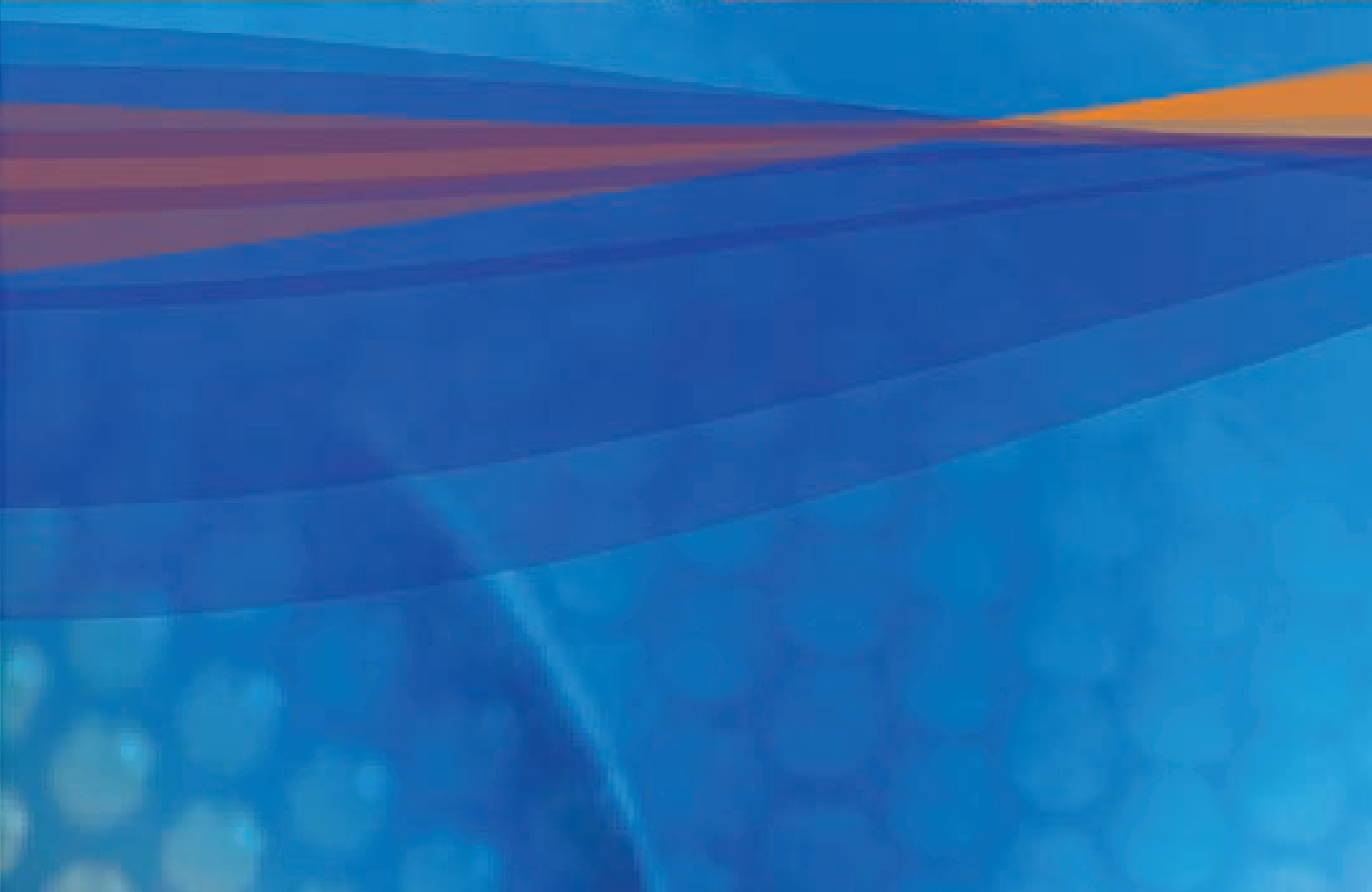
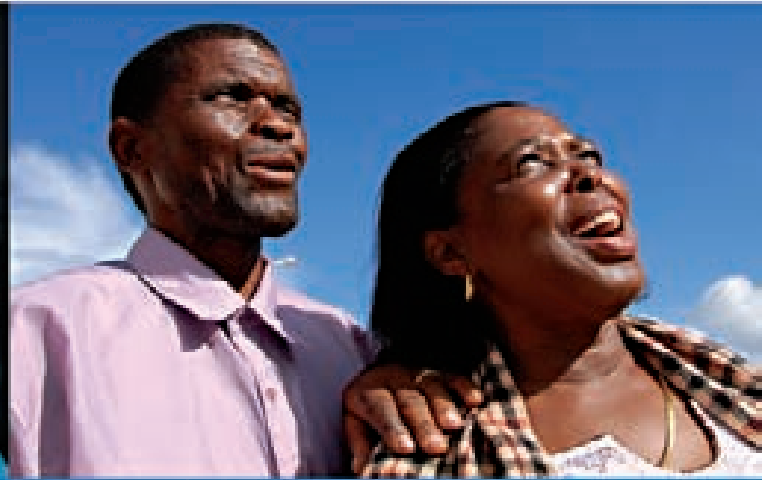
## Report to Members

Notice of the 2008/09 Annual General Meeting

11 December 2009

11:30

Gaborone Sun Conference Centre



# Contents

Board of Trustees	2
Management Committee	3
Administrators (AFA) Management	4
Proxy Form	5
Agenda	7
Minutes of the 2007/08 Members' AGM	8 - 18
Management Committee Report to the Members	19 - 31
Audited Financial Statements	34 - 56



## Board of Trustees



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

# Management Committee



C Kapalu (Chairman)



B Thipe (Vice Chairman)



G Siamisang



A O Motsamai



P Mmokwa

## Administrators (AFA) - Management



**Left to right:** **E Shamakumba** (Corporate Services Manager); **D Mongudi** (Finance Manager); **M Monageng** (HR Manager); **K Ebineng** (Managing Director); **R Tatedi** - Deputy MD (Head of Operations); **T Kwerepe** (Client Services Manager); **M Isaacs** (IT Manager); **M Matome** (Claims Manager); **D Thela** (Managed Care Advisor)



Administered by Associated Fund Administrators Botswana (Pty) Ltd

## PROXY FORM

I, \_\_\_\_\_ with  
(NAME IN BLOCK LETTERS)

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

**NAME:** \_\_\_\_\_

**PROXY'S MEMBERSHIP NO:** \_\_\_\_\_

Or failing him, the Chairman of the Management Committee, or failing him, the Chairman of the meeting as my proxy to vote for me, and on my behalf, at the Members' Annual General Meeting (AGM) to be held on Friday 11 December 2009, 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.

AFA House, Plot 61918, Showgrounds Office Park, Gaborone, Botswana P O Box 1212, Gaborone Telephone: 395 1166 Fax: 395 1165



## VALUE ADD PARTNERSHIP PROGRAMME

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

Incentives  
to lead a  
healthy lifestyle.

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



Medical Aid Fund

*We care for your health!*

[www.pulamed.co.bw](http://www.pulamed.co.bw)



**NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING (AGM) OF THE MEMBERS WILL BE HELD AT THE GABORONE SUN CONFERENCE CENTRE ON FRIDAY 11 DECEMBER 2009, 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 05 December 2008
3. Matters Arising Therefrom
4. Receipt and Adoption of the Management Committee Report to the Members for the year ended 30 June 2009
5. Receipt and Adoption of the Audited Financial Statements for the year ended 30 June 2009
6. Appointment of External Auditors
7. General
8. Date of the next meeting

**BY ORDER OF THE MANAGEMENT COMMITTEE**

**NOVEMBER 2009**



## **MINUTES OF THE ANNUAL GENERAL MEETING OF THE MEMBERS HELD AT THE PHAKALANE GOLF ESTATE AND CONFERENCE CENTRE, AT 11:30 ON FRIDAY 05 DECEMBER 2008**

### **1. PRESENT**

#### **1.1 Management Committee**

B Thipe - Chairing  
P Mmokwa  
G Siamisang

#### **1.2 Trustees**

P Stevenson  
J M Matome  
N N Mashalaba

#### **1.3 General Membership**

There were 34 members who attended in person; and 17 proxies for a total of 51.

### **2. IN ATTENDANCE**

#### **Administrators - AFA Botswana (Pty) Ltd**

K A Ebineng  
R T Tatedi  
D Motsu  
E Shamakumba  
M Matome  
M L Isaacs  
T M Lenong  
T Kwerepe  
O O M Gaboutloeloe (recording)

### **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. Bernard Ditlhabi, seconded by Ms. Keorapetse Ookeditse.

### **4. APOLOGIES FOR NON-ATTENDANCE**

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

## 5. CHAIRMAN'S OPENING REMARKS

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

## 6. CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING HELD ON 07 DECEMBER 2007

The minutes of the previous Annual General Meeting (AGM) held on 07 December 2007 having been circulated were taken as read and on a proposal by Mr. Kagiso Potongwane, seconded by Mr. Tonderai Tsara, the minutes were adopted as a true record of the proceedings.

## 7. MATTERS ARISING FROM THE MINUTES OF THE AGM HELD ON 07 DECEMBER 2007

### 7.1 Update on the Availability of Statements on the Internet: Refer to Minute 7.2 (ii)

The Administrators reported that they had experienced delays in the implementation of the new health administration system which would have an internet functionality. The meeting was informed that the system was planned to, now, be implemented by April 2009. **ACTION: AFA**

### 7.2 Update on the Rules Review Process: Refer to Minute 7.2 (iii)

The meeting was informed that the process was ongoing but had been delayed to allow for input from the Fund's Actuaries. The expectation was that the process would be concluded by the Management Committee early in the New Year, upon incorporation of the recommendations arising from the actuarial analysis of the Fund. **ACTION: ManCo**

### 7.3 Update on the Emergency Medical Service (EMS) Tender: Refer to Minute 7(iv)

The meeting was informed that the tender had not been awarded following its re-advertisement. Invitations were subsequently extended to the three local EMS providers for proposals with a view to making a direct appointment.

The three companies, MedRescue International Botswana (MRIB), Netcare 991 and RescueOne responded to the invitation. Following the evaluation of the proposals, MRIB was appointed to provide the service.

## 8. COMMENTS ON THE MATTERS ARISING REPORT

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



## **9. RECEIPT AND ADOPTION OF THE MANAGEMENT COMMITTEE REPORT TO THE MEMBERS FOR THE YEAR ENDED 30 JUNE 2008**

The meeting was referred to the Report to the Members for the year ended 30 June 2008, contained on page 17 of the 2007/08 AGM Report. The report had been circulated with the notice for the AGM and was, therefore, taken as read.

The Chairman summarised the report as follows:-

- (i) For the third consecutive year, the Fund had not performed satisfactorily from a financial perspective, though the performance was better than in 2006/07. The Fund had recorded a net deficit of P 6 362 038. This was an improved performance from the previous year's (2006/07) net deficit of P 15 658 751.
- (ii) Operationally, the Fund performed satisfactorily as it had achieved its main objective of assisting members defray theirs, and their dependants' healthcare expenses. In addition, the Fund's membership for the year under review had grown by 16.9% relative to the 2006/07 membership figures.
- (iii) The Management Committee expressed an expectation that the Fund would come out of the operating deficit that had been reported over the last three (3) years.

### **9.1 Contribution Income**

Total Contribution income for the Fund stood at P 82 788 283; representing growth of 34.6% when compared to the P61 522 753 reported in 2006/07. The growth was attributable mainly to premium increases and the 16.9% growth in membership.

### **9.2 Claims Paid Costs**

During the year under review, the claim costs had increased from the P69 721 342 reported in 2006/07 to P77 461 000; representing an 11.1% increase. The figures included the Value Added Tax (VAT) that the Fund pays for its members.

### **9.3 Total Reserves**

The Fund reserves had decreased from P74 051 792 reported for the year ended 30 June 2007 to P65 533 097 during the year under review. This represented an 11.5% decrease.

The contribution income received during the year was not adequate to cover claims and administration expenses necessitating the utilisation of part of the reserves to fund operational expenditure.

#### 9.4 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 accounted for 49% of these expenses. The increase in administration fees was due to the growth in membership.

### 10. DISCUSSION OF THE MANAGEMENT COMMITTEE'S REPORT

#### Mr. Bernard Ditlhabi

The member enquired whether the Management Committee was aware of the performance of other medical aid schemes in the country; in particular, whether the schemes were equally experiencing deficits.

**Response:** It was explained that comment could only be made on the Botswana Public Officers' Medical Aid Scheme (BPOMAS), Botswana Medical Aid Society (BOMAID) and Pula Medical Aid Fund (PULA), as these were the only schemes that produced annual reports that were accessible.

The meeting was further informed that BOMAID had similar experience as PULA. BPOMAS on the other hand was recording surpluses, which was mainly attributable to the profile of its membership.

#### Mr. Bernard Ditlhabi

The member noted the response by the Administrators and acknowledged that the improved performance of the Fund, as illustrated in the Management Report, needed to be applauded by the members.

#### Mr. Kagiso Potongwane

The member asked for the specific names of the Project Team for the Bokamoso Private Hospital.

**Response:** The meeting was informed that the Project Team included Brydens (Project Manager), Kille and Danhauser (Quantity Surveyors), Casieri and Baker (Architects), EG Africa and Bergstan Africa, as Consulting Engineers.

In the absence of any further comments, the Chairman proposed the adoption of the Management Committee Report to the Members for the year ended 30 June 2008. The Report was adopted following a proposal by Mrs. Theresa Van Niekerk, seconded by Ms. Chenzimu Nlumbile.



## 11. RECEIPT AND ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

The members were referred to the Audited Financial Statements for the year ended 30 June 2008 on page 34 of the AGM Report. The Administrators provided a summary of the Report covering the essentials and concluded by reporting that the auditors, KPMG had provided an unqualified report.

## 12. COMMENTS ON THE FINANCIAL REPORT

**Mr. Ditlhabi**

The member observed that the audit appeared to have focused only on the financial aspect of the Fund but had neglected the operational aspects. In his view, members needed to be apprised of operational areas of risk as well as the appropriate interventions and mitigation steps that were being taken and/or had been put in place.

**Response:** The meeting was informed that the audit also considered operational matters. In addition, the Management Committee had just completed a Draft Corporate Strategy for the Fund, and in the process, they assessed the current financial and operational issues. The process was facilitated by EOH Consulting.

Mr. Matome added that the operational aspects, including currency fluctuation concerns had been addressed as indicated in the Management Letter by the Auditors, further that, the collaboration between EOH and KPMG would cover both operational and financial perspectives.

**Mr. Ditlhabi**

The member enquired whether the Fund would be affected by the current instability of the world financial markets.

**Response:** The Administrators responded by stating that the challenges arising from the instability would certainly be felt on the operational (affecting membership recruitment and retention) and the economic side. As the national economy relied heavily on the mining sector and the Fund's membership was mainly from the mines, the retrenchments that were likely to follow would have an adverse impact on the Fund revenues; for example.

**Mr. Ditlhabi**

The member, in noting the assurances, suggested that the situation needed careful monitoring to ensure timely remedial action if need be.

In the absence of any further comments, the Audited Financial Statements for the year ended 30 June 2008 were adopted following a proposal by the Chairman, seconded by Mrs. Van Niekerk.

### 13. APPOINTMENT OF THE EXTERNAL AUDITORS

KPMG were retained as external auditors for the financial year 2008/09 following a proposal by the Chairman, seconded by Mrs. Van Niekerk.

### 14. GENERAL

#### Mrs. Van Niekerk

The member asked for amplification of the Management Committee Report to the Members regarding the provision of emergency medical services, specifically if there was a service provider in place.

**Response:** The member was informed that the Management Committee had sought to appoint a service provider with technical expertise, sound financial capacity and who could provide the service cost-effectively. In terms of the said criteria, MedRescue International Botswana had been appointed, initially for a three year period, but owing to recent (September - October 2008) experience regarding costs, the contract period was reduced to one year to allow the Management Committee to assess the situation and make appropriate decisions as may become appropriate.

The member commented that she had had challenges in the past with obtaining services from MRIB and advocated for strict enforcement of the Service Level Agreement with MRIB to ensure that members got value for money.

#### Ms. Inez Dumbar-Golakai

The member stated that she received the notice of the AGM rather late and proposed that the notice be circulated at least a month before the meeting to ensure attendance at the AGM by a significant number of members. She conceded that she was attending the AGM for the first time and was not sure what the attendance had been for the previous AGMs.

**Response:** The comment by the member was noted and the Administrators stated that the attendance was probably the best in the history of the Fund.

#### Mr. Kagiso Potongwane

The member asked whether there was any regulatory framework in the form of Acts and/or Statutes that regulated the operation of medical aid schemes in the country.

**Response:** The Administrators confirmed that currently there were no such frameworks except that a Draft Bill was being formulated by Government. However, as a minimum, the





operations of each scheme was guided by its own Rules and what was considered best practice in terms of benchmarking with other schemes elsewhere.

**Mr. Mooketsi Maphane**

The member commended the Management Committee for appointing Actuaries and asked whether the findings of the Actuaries could be made accessible to members for information. The member further asked for enlightenment regarding the benchmarks used by the Fund in view of the legislative standard void.

**Response:** The member was informed that the Actuaries provide advice as per the Terms of Reference and from a risk point of view. Advice received from the Actuaries would guide decisions by the Management Committee. The Management Committee was currently reviewing the Rules of the Fund, and the input by the Actuaries had been most helpful in informing the decisions that had to be made regarding the Rules review process.

Regarding benchmarks, the Administrators stated that good commercial practice, pursuance of, and reference to industrial networks - including liaison with regional players, in South Africa; have been applied. The meeting was informed that under the South African law, a medical aid scheme was obliged to have a minimum solvency margin of 25%. That notwithstanding, PULA had managed, over many years to maintain solvency levels in excess of the 25%. For example, for the year under review the Fund's solvency margin was 79%. The South African minimum solvency level of 25% also applied in Zimbabwe and Namibia.

**Fumani Makosha**

The member asked whether the AFA Francistown office could deal with matters pertaining to benefits, invoices and member applications. She further sought clarification regarding the effective date of membership, as envisaged by the Fund Rules; in relation to the date that may have been stated as the effective date on the Member Application Form.


**Response:** The Administrators advised that the same services that were provided by the AFA Gaborone offices were available through the Francistown office. The member was informed that membership effected on the 1st day of each month. At this point, the member was advised to take up her questions with the Administrators outside the AGM as they were of an operational nature.

**Mr. Goaba Moilwa**

The member asked for an update regarding the Bokamoso Private Hospital Development and whether there had been any delay in the project; and if so, what had caused the delays.

**Response:** The Administrators reported that construction of the facility began early 2008 and





---

that the practical completion was expected to be in August 2009. The opening of the Hospital was scheduled for November 2009. The project was reported to be five (5) weeks behind schedule owing to unfavourable weather and logistics involving the main contractor. However, assurances had been obtained from the contractor that the lost time would be made up.

The meeting was further informed that conversations were on-going with various stakeholders including the Government, Debswana and others, to ensure timely delivery of the project and the provision of cost-effective healthcare services by the Hospital, once operations commenced.

#### Ms. Stephanie Stoneham

The member asked for the Management Committee's and Administrators' opinion on the likely impact on the Fund, of the Medical Aid Schemes' Act once it became effective.

**Response:** The Administrators expressed optimism that the regulations would implement control mechanisms aimed at ensuring financial sustainability of schemes, advocating for more disclosure of the affairs of schemes. The Act, once implemented, would also provide linkages with other Regulations and Policies.

#### Ms. Chenzimu Nlumbile

The member suggested that members be provided with applicable tariffs, as they were being exploited or cheated by service providers as they were not aware of the tariffs. **ACTION: AFA**

**Response:** The Administrators noted the suggestion by the member. They (AFA), however, remarked that tariffs were set in consultation and agreement with the Private Practitioners Group (PPG). However, owing to operating in a largely unregulated environment, other service providers who were not part of the PPG decide to charge for services at their own rates.

The Administrators conceded that the point being made by the member was something that they would have to consider, in consultation with the PPG.

Dr. Mashalaba added that some service providers had opted out of the direct payment system with medical aid schemes and expected their clients to pay upfront and thereafter claim from their schemes. In such instances tariffs did not apply. She commended the member for such insight and opined that it would probably be a good thing for the members to know what tariffs were applicable.

#### Mrs. Van Niekerk

The member asked when the benefit levels would be reviewed as in her view; the orthodontic benefits were low.

**Response:** The meeting was informed that benefits were reviewed on an on-going basis and



that the Management Committee was currently reviewing benefits as part of the Rules review process. The proposed changes would be brought to the membership for consideration and approval, at a Special Annual General Meeting.

**Mr. Keorapetse C Ookeditse**

The member asked for clarification on the number of times that a member would be allowed to change their registered Primary Doctor.

**Response:** The meeting was informed that members were allowed to change their Primary Doctors as many times as they wished, but within reason and formal notice to the Administrators.

**ACTION: AFA**

**Mr. Kagiso Potongwane**

The member wanted clarification on whether only General Practitioners could be registered as Primary Doctors, and if not, why certain Practitioners were rejected on the basis of their being specialists, when they claim to be General Practitioners.

**Response:** The meeting was informed that only General Practitioners (GPs) were by their nature primary doctors. In the event that a patient requires specialist care, he/she ought to be referred by a GP.

The meeting was further informed that accreditation with the Botswana Health Professions' Council (BHPC) was on the grounds of being either a General Practitioner or a Specialist, and never both. In the absence of clarity whether a practitioner was a General Practitioner or Specialist, members were advised to consult the BHPC.

**Mrs. Van Niekerk and Dr. Gabriel Anabwani**

The members asked why the Fund neither paid for contraceptives nor malaria prophylaxis. The members stated that prevention was better than cure and that the Fund should seriously consider having such benefits. **ACTION: ManCo**

**Response:** The comments of the members were noted and feedback was promised. The meeting was informed that the issue had been discussed before at previous AGMs. The Management Committee would assess the feasibility of incorporating the suggestions as part of the current Rules review process and if feasible, they would be included.

Dr. Mashalaba concurred with the members, in particular on the issue of contraceptives. She expressed her strong support for the suggestion.



---

## **15. CONCLUSION**

The Chairman thanked the members for attending the meeting and for their contributions. He wished all a Merry Christmas and a splendid New Year.

## **16. DATE OF THE NEXT MEETING**

The 2009 Annual General Meeting would be held before 31 December 2009. The date and venue would be communicated in due course.

In absence of any other business, the meeting adjourned at 13:01.



## Attendance Register

Attendance at the Members' Annual General Meeting (AGM) held at the Phakalane Golf Estate and Conference Centre on Friday 05 December 2008, at 11:30

NAME	NAME
1. M Matome	18. J M Matome
2. R Tatedi	19. M O Champagne
3. E Shamakumba	20. B M Ditlhabi
4. P Mmokwa	21. O G Makgetho
5. M L Isaacs	22. O F Makgetho
6. T M Lenong	23. L Rampa
7. T Kwerepe	24. G Moilwa
8. S Stoneham	25. T Tsara
9. T Mahube	26. C Nlumbile
10. O Tamajobe	27. G Selawe
11. O M Gaboutloeloe	28. M Maphane
12. J Mulwa	29. A Chiseyengi
13. I Dumbar-Golakai	30. T Van-Niekerk
14. L Masie	31. M Sekgopa
15. K Potongwane	32. G Anabwani
16. K C Ookeditse	33. K Mackennie
17. N N Mashalaba	34. P Rammidi

# Report to the Members for the Year Ended 30 June 2009



On behalf of the Management Committee of the Pula Medical Aid Fund Trust (PULA), I am pleased to present this 18th Annual Report to the members. The report mainly covers the financial and operational performance of the Fund for the year ended 30 June 2009; as well as some key activities and developments, which took place during the year.

## 1. General Overview

For the fourth consecutive year, the Fund recorded a net deficit. However, the deficit (P5 871 653) was lower than that recorded in the previous year. The primary reason for the deficit was limited revenue, as a consequence of the non-achievement of the projected membership numbers due to the economic recession, which mainly affected the mining companies: as far as PULA's business is concerned.

On the claims side, the Fund did relatively well in maintaining a reasonable level of claims costs increase. The 11% rate of increase is comparable to the 11.1% recorded in the previous year. Members are to note that the average inflation for the period was 12.3%; and as such, the increase of 11% is relatively reasonable. The claims ratio for the year under review stood at 93.3%, compared to 93.6% in the previous year.

Despite the reported net deficit, the Fund managed to maintain a fairly healthy liquidity position. The solvency margin of the Fund stood at 64.1%, compared to 79.2% for the year ended 30 June 2008. Though the solvency margin has gone down, it remained better than the benchmark of 25%; as well as the target of 50% set by management during the year under review.

From an operational perspective, the Fund performed satisfactorily as it managed to meet its main object of assisting members defray the healthcare costs that they and their dependants, incurred. It is worth noting that this has been achieved in the 18 years that the Fund has been in operation.

On the membership side, the year ended 30 June 2009 was not a good year. Unlike in the past three (3) years where the Fund recorded double-digit membership growth, the Fund recorded a reduction of 0.3% in membership. The economic recession that kicked in late 2008, contributed significantly to the reduction in membership.

Regarding the PULA Rules Review Process, a lot of progress was registered during the year. It is expected that during 2009/10, the Revised Rules will be presented to the general membership, for approval.

Significant progress was also recorded on the Bokamoso Private Hospital development. This included among others, the recruitment of nursing and other clinical staff, as well as administration personnel. The hospital is expected to start operating in late November 2009.



Overall, the year ended 30 June 2009 was a relatively satisfactory year for the Fund particularly on the operational side. However, from membership and financial perspectives, it could have been better.

## **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 2009.

### **2.1 Review of the Income Statement**

Total contribution income for the year, stood at P92 201 167 compared to P82 788 283 for the previous year. This represents growth of P9 412 884 or 11.4%. The growth was mainly due to the average contribution increase of 13% that was implemented on 01 July 2008. However, the Fund under-performed by P9 662 806 when compared to the budget for the year. This is as a result of the non-achievement of the projected membership figures.

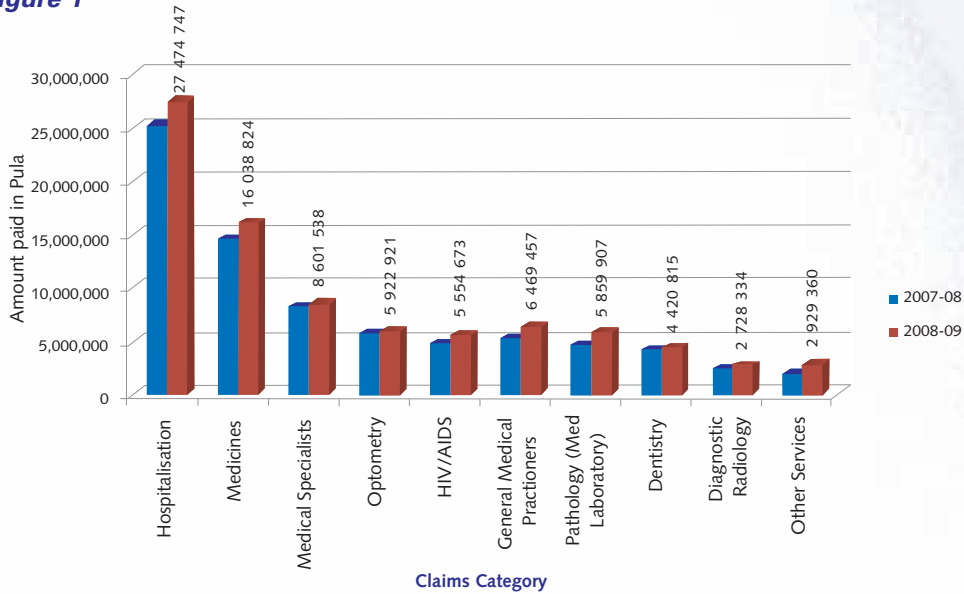
On the expenditure side, and benefit-utilisation, in particular, claims costs increased from P77 461 000 in the previous year to P86 000 577 during the year under review. This represents an increase of P8 539 577 or 11%. The increase was mainly due to general price increases in healthcare products and the service provider tariff increases implemented during the year.

The detailed analysis of the claims costs is provided in section 2.2 below.

### **2.2 Claims Costs Analysis**

Figure 1, shows a graphical presentation of the claims costs for the various categories of service. The graph compares the year under review, with the previous year.

**Figure 1**



The year-on-year increases for the various categories of service are shown on Figure 2, below.

**Figure 2**

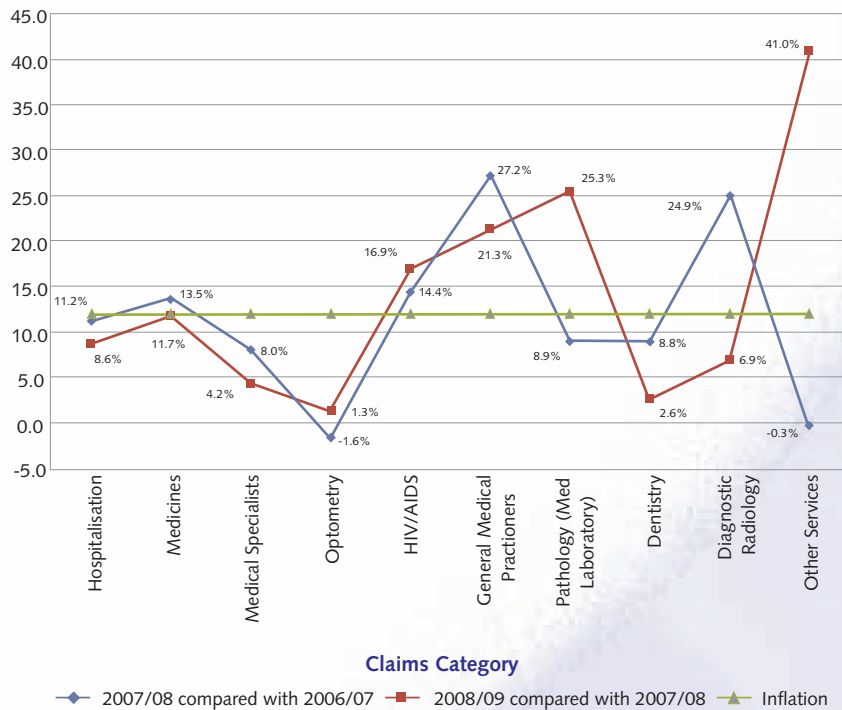




Figure 2 indicates that some claims categories recorded relatively high year-on-year increases, while others did not. The categories that recorded increases that are either significant or above the average inflation for the year are:

- Medicines
- HIV/AIDS
- General Medical Practitioners (GPs)
- Pathology
- Other Services

Below is a brief explanation for the increases registered by the above-mentioned categories.

#### a) Medicines

Claims costs related to medicines stood at P16 038 824 during the year under review. This represents an increase of 11.7% when compared to the P14 364 405 reported in the previous year. It should be noted that 12% of the total amount claimed during the year, was for chronic medicines and the remainder for acute medicines.

The increase in the medicines claims costs was due to, among others:

- The regulatory - driven Drug Price Review in South Africa that allowed for a 13.2% price increase in pharmaceuticals.
- Increase in the utilisation of General Medical Practitioners (GPs) services. The GPs account for the largest proportion of dispensed medicines.

Whilst the medicines claims costs have increased by 11.7%, it should be noted that the increase could have been higher if it was not for the implementation of the Pharmaceutical Benefit Management (PBM) cost-mitigation process, effective January 2009. As an example, the relative savings made as a consequence of PBM processes in the period to May 2009 was P1.5m.

#### b) HIV/AIDS

Claims costs for HIV/AIDS stood at P5 554 673 as at 30 June 2009. This represents an increase of 16.9% when compared to the P4 751 286 reported for the year ended 30 June 2008.

The increase was partly due to the 7% growth in the number of patients enrolled on the PULA Anti-retroviral Therapy (ART) Programme. Whilst the average cost per claim remained almost the same as the previous year at P389.30, the total number of prescriptions filled increased by 22%.





#### c) General Medical Practitioners (GPs)

The GPs claims costs increased by 21.3% from the P5 334 536; reported for the previous year to P6 469 457 during the year under review.

The increase was partly due to:

- The Fund's drive to promote the GPs as primary care givers and gate-keepers. The number of consultations for GPs increased by 19% during the year under review.
- Increase in the number of practices registered. A total of eight (8) new GP practices were registered during the year.

#### d) Pathology

Claims costs relating to Pathology increased by 25.3% from P4 677 161 in the previous year to P5 859 907 during the year under review.

The increase in claims costs for Pathology was partly due to:

- an increase in the number of patients on the ART Programme requiring laboratory monitoring.
- the cost of monitoring renal function which increased by 67%, when compared to the previous year. This was occasioned by a change in the national treatment guidelines for HIV/AIDS.

#### e) Other Services

Other services' claims costs increased by 41% from P2 077 439 in the previous year to P2 929 360 during the under review. Included in this category are dread disease, physiotherapy, paramedical and allied health services.

The increase in costs was due to an increase in the type and number of practices registered in this category.

### 2.3 Administration Expenses

General administration expenses decreased from P15 615 805 in the previous year to P15 613 133 during the year under review. This represents a reduction of P2 672 or 0.02%. Significant cost reductions were registered in the following expense categories:

- |                                |   |        |
|--------------------------------|---|--------|
| • Provision for doubtful debts | - | -77.4% |
| • Postage                      | - | -36.1% |
| • Printing & Stationery        | - | -56.5% |
| • Promotions & advertising     | - | -25.3% |





#### 2.4 Investment Income

During the year under review, investment income stood at P4 709 869; representing a reduction of P916 474 or 16.3% when compared with the P5 626 343 reported in the previous year. This was due to the reduction in interest rates, the funding of operational expenditure from reserves and the withdrawal of funds to finance PULA's portion of the Bokamoso Private Hospital development.

### 3. Review of the Balance Sheet

The financial health of the Fund remained relatively strong during the year, despite the continued deficit position.

The key components of the Balance Sheet are analysed below.

#### 3.1 Total Assets

Total Assets of the Fund stood at P74 208 448 as at 30 June 2009. This represents a reduction of P7 566 049 or 9.3%, when compared to the P81 774 497 reported as at 30 June 2009. The reduction in total assets was partly attributable to a reduction in investments.

The Fund's investment with African Alliance was liquidated during the year, to partly finance the Bokamoso Private Hospital. However, non-current assets increased as a result of additional investment made during the year in the Bokamoso Private Hospital.

#### 3.2 Total Reserves

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

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

#### 3.3 Total Liabilities

Total liabilities of the Fund stood at P15 091 502 as at 30 June 2009. This represents a reduction of P1 149 898 or 7.1%, when compared to the P16 241 400 reported in the previous year. The reduction was mainly due to the reduction in the accounts payable.

### 4. Membership

The year ended 30 June 2009 was not a good year for the Fund, from a membership perspective.

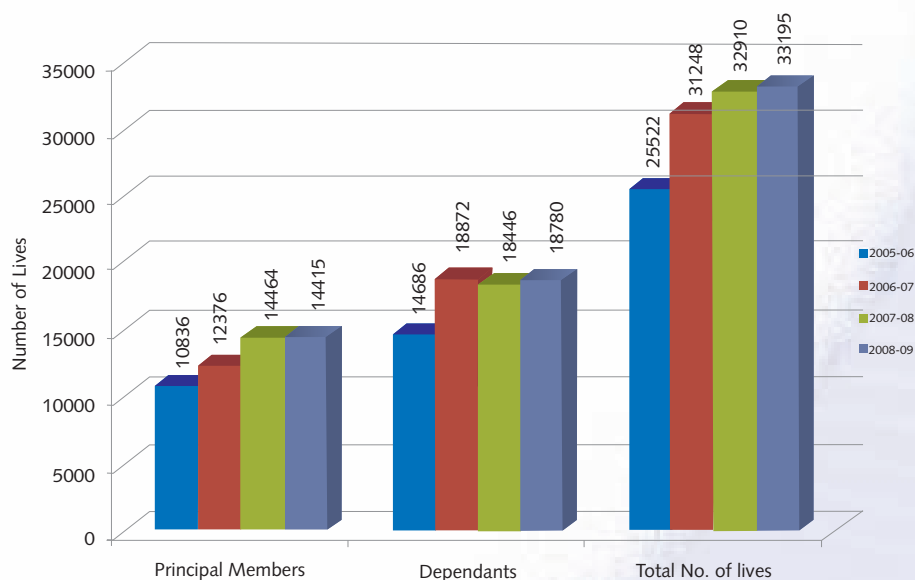
Unlike in the past three (3) consecutive financial years where the Fund recorded double digits membership growth, the year under review saw a reduction of 0.3% in membership. Total membership stood at 14 415 as at 30 June 2009, compared to 14 464 recorded in the previous year. The Fund also underperformed by 2 149 members when compared to the budget (16 564) for the year.

The reduction and lack of growth in the membership was mainly attributable to the recent economic recession that affected the mining sector. Some of the mining companies on PULA had to retrench employees whilst others decided not to employ more staff. It is worth noting that the mining sector makes up approximately 60% of the Fund's membership. As such, any economic condition that negatively affects production and employment in the sector, will negatively affect the Fund's membership.

With regard to total lives (principal members plus dependants) covered by the Fund, the number increased from 32 910 in the previous year to 33 195 during the year review. The increase was attributable to the increase (of 285) in the number of dependants registered.

Figure 3, below, is a presentation of the number of principal members, dependants and total lives covered by the Fund; comparing the year under review with the past three (3) years.

**Figure 3**



We remain optimistic that with the recovery in the world economy, and, consequently, the Botswana economy, the Fund will revert to the positive membership growth that it is accustomed to.

## 5. Other Matters

### 5.1 Bokamoso Private Hospital

The development of the Bokamoso Private Hospital progressed in earnest, during the year under review. Among the milestones recorded was the employment of the first group of nurses, who started a four-month specialised skills training course in June 2009. The recruitment of other staff continued during the year under review. This included doctors, executive and administration staff, as well as more nurses.

There were delays experienced with the construction programme. As a result, the hospital will no longer open in early November 2009 as previously reported; but rather in late November 2009.

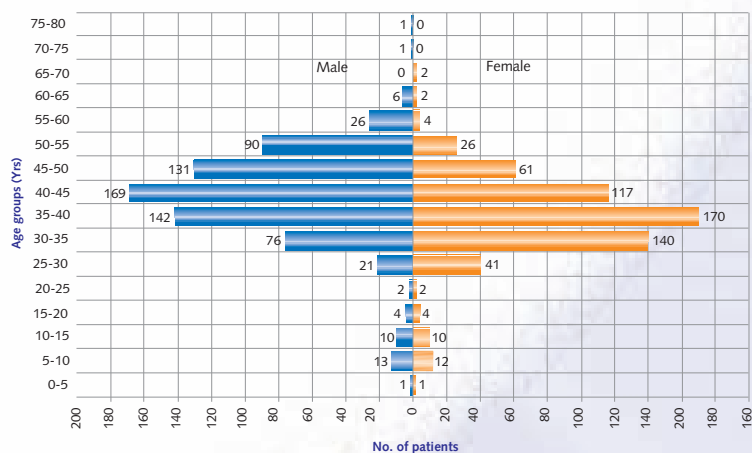
Members are to note that PULA has already benefited from the development of Bokamoso since the hospital staff has registered with PULA. As employment increases at the hospital, more members are expected to enrol on PULA.


### 5.2 HIV/AIDS Benefit Management

The PULA Anti-Retroviral Therapy (ART) Programme had a total of 1 520 patients as at 30 June 2009. This represents growth of 101 patients or 7% when compared to the 1 419 reported in the previous year.

Figure 4, below, gives a graphical presentation of the distribution of patients on the Programme as at 30 June 2009, by age and gender.

**Figure 4**





---

The graph shows that there were more male patients (52.2%) than females on the Programme. However, for the age group 0-40 years, there were more female patients than males, on the Programme.

### 5.3 Pharmaceutical Benefit Management (PBM)

The Fund implemented a PBM Programme effective January 2009 after extensive consultation with key stakeholders such as doctors, pharmacies and pharmaceutical wholesalers. PBM is designed to mitigate the Fund's expenditure on medicines and improve the efficiency and effectiveness of medicine utilisation. The interventions implemented include the enhanced generic reference reimbursement and differential mark-up systems.

Between January and May 2009, the Fund realised savings on medicines of approximately P1.5m as a result of the PBM. However, a number of negative service provider driven changes in utilisation of medicines have been noticed and will be addressed in the coming financial year.

### 5.4 Strategic Planning

During the year under review, the Fund developed its first ever detailed and documented Strategic Plan, which covers the period 2008 - 11. Prior to this Strategic Plan, the Fund utilised annual operational plans, which incorporated strategic input or decision made by the Board of Trustees, from time to time. The implementation of the Strategic Plan 2008 - 11 started during the year under review and is continuing.

The Strategic Foundations for the Fund, as defined in the Strategic Plan are:

- *Vision (the desired future of the Fund)*  
To be a leader in the provision of healthcare solutions.
- *Mission (What PULA exists for)*  
To provide cost-effective healthcare solutions, through the strategic use of technology as well as competent and engaged employees.

### 5.5 Marketing/Promotion of the Fund

Following the successful development of the Corporate Strategy for the Fund, a Marketing Strategy, informed by the Corporate Strategy, is to be developed in order to assist the Fund to meet the objectives of:

- Increasing membership through growth and retention.
- Delivering quality products and services.



The Marketing Strategy is to be finalised during the financial year 2009/10.

In the interim, the plan, which had assisted the Fund in achieving double digits membership growth, during the past three (3) years, will be used to promote the Fund and its offering. These techniques include advertising through radio, newspapers, billboards, sponsorship of third party events and more importantly, direct presentations to both existing and potential members.


During the year under review, the Value Add Partnership Programme (VAPP) was continued with the addition of more strategic partners. The VAPP is a programme that gives PULA members value-add benefits in the form of discounts, at identified enterprises.

Below is the list of partnerships that were in place during the year under review.

- [Sony Ericsson & Sony](#) - 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 subscriptions.
- [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% discount on adult beginners programme.
- [Quest for Beauty](#) - 10% discount on all types of massages.
- [Seabelo Travel and Tours](#) - 5% discount on tours and packages fare.
- [Fitness and Muscle Club \(Kanye\)](#) - 10% discount on subscriptions.
- [Fleximind Health and Fitness Studio \(in Francistown\)](#) - 15% discount on monthly subscriptions.
- [Jamal Trading Company \(Gaborone\)](#) - 20% discount on all materials except cement and non-discountable materials.
- [Altech Netstar Botswana](#) - free sleuth for one (1) year contract or upgrade to an early warning system.
- [Samsung \(Gaborone\)](#) - 5% discount on all cash purchases of Samsung handsets & products.

#### 5.6 Doctor-Patient Registration & Referral System

The Doctor-Patient Registration and Referral System were introduced in November 2007, with an objective of improving patient care and management, as well as controlling costs. As at 30 June 2009, only 5 056 members had registered their family doctor/facility. This figure is very low, given that the total membership of the Fund stood at 14 415 as at 30 June 2009.



---

Due to the low response rate from the members, the Fund management has not been able to implement the Referral System. Consequently, the management of the Fund will, during 2009/10, decide on what to do, to ensure that the Referral System is implemented as previously envisaged.

In the interim, members are encouraged to register their family doctors/facilities, to avoid any possible inconvenience in future.

#### **5.7 Rules Review**

The review of the Rules was concluded by the Management Committee during the year under review. The next step is for the Revised Rules to be presented to the members for consideration and approval. It is expected that a Special General Meeting of Members will be called in early 2010, to consider the Rules. Members are encouraged to attend this meeting. The meeting is intended to give members an opportunity to provide input into the specific elements of the Rules which they may not be happy with. The Revised Rules are to be implemented on 01 July 2010.

### **6. Management of the Fund**

During the year under review, the administration of the Fund continued under AFA Botswana; with the Management Committee overseeing the day-to-day operations.

The Management Committee is elected every two (2) years and is made up of individuals with diverse skills and experience including Human Resources, Finance & Accounting and Health. These individuals are elected mainly from among the employer groups registered with PULA. The Committee members commit their time with support from their employers, to ensure that the Fund operates efficiently and effectively, for the benefit of all its beneficiaries.

The provision of strategic guidance and leadership is the responsibility of the Board of Trustees; who likewise, comprise of individuals with diverse skills and experience. The skills in the Board include Legal, Actuarial, Finance & Accounting and Health.

We wish to extend our sincere gratitude to Mr Harris Lebotse who left the Management Committee during the year under review. His contribution over the years, as a member and Chairman of the Committee for some years, is highly appreciated.

### **7. The Future**

The aim going forward, for the Fund management, is to turnaround the financial losses of the Fund to ensure that PULA remains financially sustainable in the long term. Given that the revenue line is mainly dependent on membership growth and the level of premium increases, management will focus on these areas. This will be done with particular regard to inflationary pressure, the expected benefit utilisation as well as ensuring a return to the good membership growth of the previous three (3) years.





Furthermore, there will be need for the Fund management to continue to manage and control the administration, claims and other costs. Among the initiatives to be undertaken is the implementation of the Referral System, which has, during the year under review, proved difficult due to the low response rate from members, regarding the registration of family doctors/facilities.

Above all, the management of the Fund has to continuously improve the level of service delivery to the members and other key stakeholders. This, together with our product offering, should ensure member loyalty and consequently assist in membership growth and retention.

## **8. Conclusion**

Though the Fund did not perform satisfactorily from a financial perspective, it performed well from an operational perspective, as it managed to achieve its operational object of assisting members pay for the healthcare costs that they and their dependants incurred.

As management of the Fund, we remain optimistic that the world economy will recover during the next financial year, which will ensure that the Fund starts registering positive growth in membership. To this end, and with the general membership's support, we will, together with the Fund Administrators, continue to raise our service delivery to the members and other stakeholders who may also influence favourable outcomes. The Corporate Strategy recognises service delivery as a key component of our success; and our day-to-day operations will have to be aligned to this reality.

In conclusion, I wish to thank each and every member of the Fund; as well as the participating employer groups, for the support and co-operation they afforded us during the year under review. We at PULA value your loyalty and will do all we can, to give you the peace of mind you expect from your medical aid.

I also wish to thank my colleagues on the Management Committee for their commitment and contribution during the year. Our sincere thanks also go to the employer groups from whom the Committee is drawn. These groups have allowed their employees to do the work of the Fund during the respective companies' time.

Last but not least, special thanks are due to the Board of Trustees for continued support and guidance during the year. We have indeed benefitted from their wisdom and look forward to their continued strategic leadership.

Finally, our sincere thanks go to the Administrators, AFA Botswana, for the professional advice they provided during the year and their valuable contribution to the day-to-day operations of the Fund.



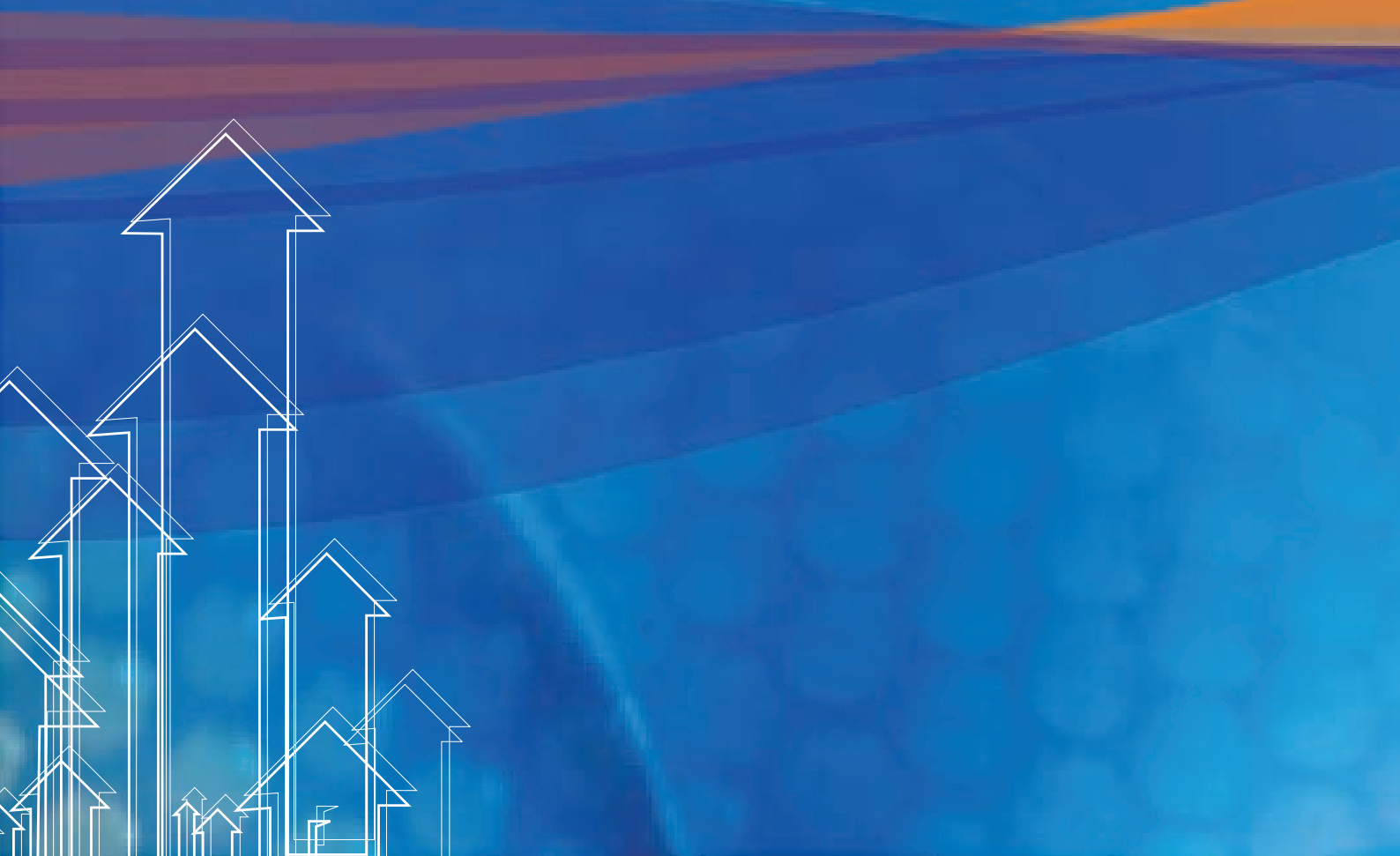
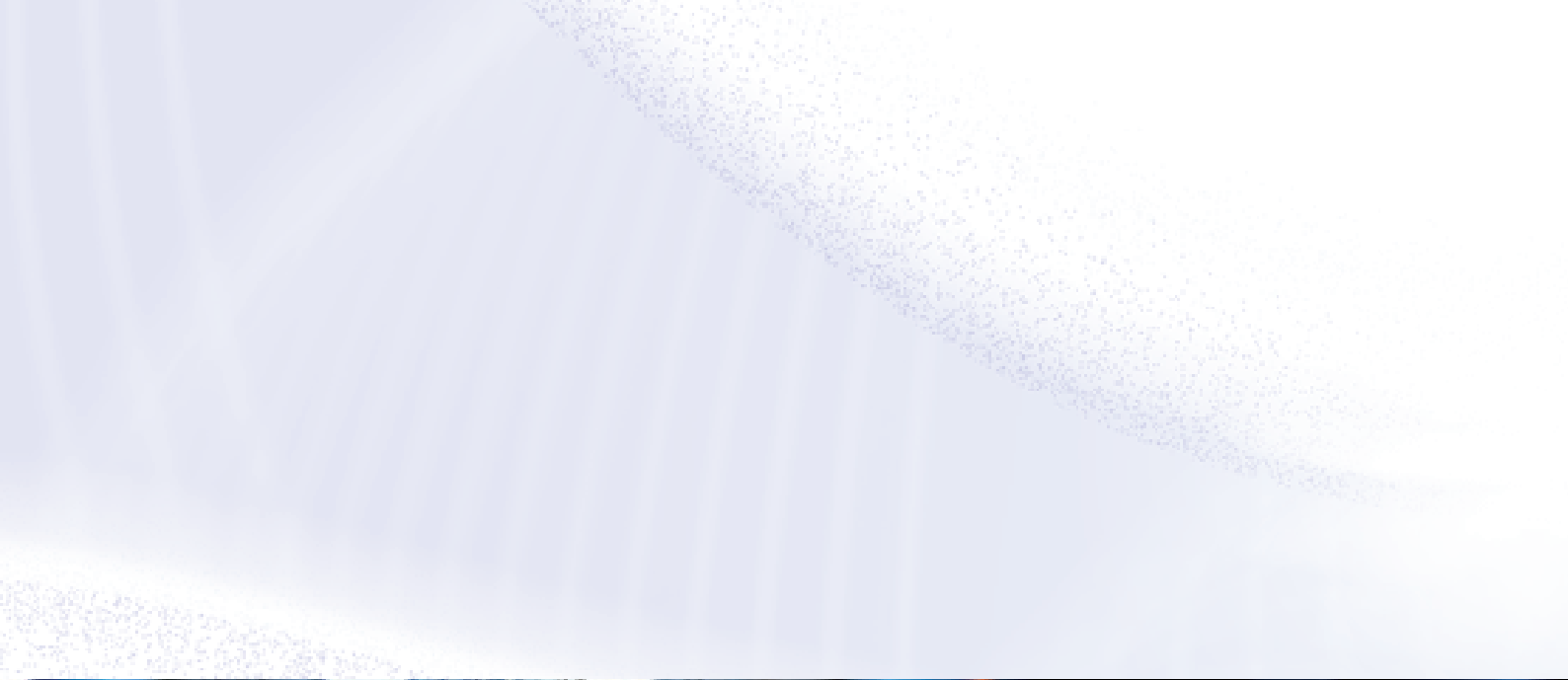


For all members, we wish you good health because after all, we care for your health!

.....  
Clement Kapalu  
**CHAIRMAN**

09 November 2009

.....  
**DATE**



# Annual Financial Statements

For the Year Ended 30 June 2009





# Contents

---

Board of Trustees' Approval of the Annual Financial Statements	35
General Information	36
Report of the Independent Auditors	37
Income Statement	38
Statement of Changes in Reserves	39
Balance Sheet	40
Cash Flow Statement	41
Statement of Accounting Policies	42 - 44
Notes to the Financial Statements	45 - 56

# 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 2009, the income statement, the statement of changes in reserves 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.

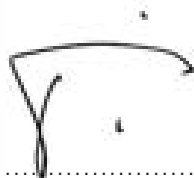
The Board's responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as supplementary schedules included in these financial statements.

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.

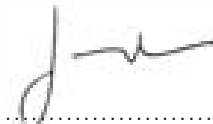
The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements:

The annual financial statements were approved by the Board of Trustees' on 05 November 2009 and are signed on their behalf by:



**Chairman**



**Treasurer**



# 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 14 415 members at 30 June 2009 (2008: 14 464).

### Trustees

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

### Management Committee

C Kapalu (**Chairman**)  
B Thipe (**Vice Chairman**)  
G Siamisang  
H Lebotse (**resigned 31/07/08**)  
A O Motsamai  
P Mmokwa

### Postal Address

P O Box 1212  
Gaborone  
Botswana

### Registered Address

AFA House  
Plot 61918, Showgrounds Office Park  
Gaborone

### Administrators

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

### Bankers

Standard Chartered Bank Botswana Limited  
P O Box 496, Gaborone, Botswana

### Auditors

KPMG  
P O Box 1519, Gaborone, Botswana



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

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

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

### Report on the Financial Statements

We have audited the financial statements of Pula Medical Aid Fund set out on pages 38 to 56, which comprise the balance sheet as at 30 June 2009, the income statement, statement of changes in reserves 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 of Trustees is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Societies Act No. 18:01 of 1972 in Botswana. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Pula Medical Aid Fund as of 30 June 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Societies Act No. 18:01 of 1972.

KPMG

.....  
Date

5/11/2009

# Income Statement

for the year ended 30 June 2009

<i>In Pula</i>	<i>Note</i>	<b>2009</b>	<b>2008</b>
Income from contributions		92 201 167	82 788 283
Benefits paid	1	<u>(87 147 741)</u>	<u>(79 160 859)</u>
<b>Net contribution income</b>		5 053 426	3 627 424
<b>Other income</b>		(21 815)	-
Administration expenses	2	<u>(15 613 133)</u>	<u>(15 615 805)</u>
Operating deficit		(10 581 522)	(11 988 381)
Investment and interest income	3	<u>4 709 869</u>	<u>5 626 343</u>
<b>Deficit for the year</b>		<u><u>(5 871 653)</u></u>	<u><u>(6 362 038)</u></u>



# Statement of Changes in Reserves

for the year ended 30 June 2009



<i>In Pula</i>	<b>Revaluation Reserve</b>	<b>Accumulated Surplus</b>	<b>Reinsurance Reserve</b>	<b>Total Reserves</b>
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	-
Dread disease payments	-	2 431 924	(2 431 924)	-
<b>At 30 June 2008</b>	<b>7 334 904</b>	<b>56 349 114</b>	<b>1 849 079</b>	<b>65 533 097</b>
Deficit for the year	-	(5 871 653)	-	(5 871 653)
Change in fair value of investments	(544 498)	-	-	(544 498)
Transfer to reinsurance reserve	-	-	-	-
Dread disease payments	-	-	-	-
<b>At 30 June 2009</b>	<b>6 790 406</b>	<b>50 477 461</b>	<b>1 849 079</b>	<b>59 116 946</b>

# Balance Sheet

at 30 June 2009

<i>In Pula</i>	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>Assets</b>			
<b>Non-current assets</b>			
		65 585 883	59 317 001
Investment in Bokamoso Hospital Project	14	38 544 940	15 644 124
Investments	4	27 040 943	43 672 877
<b>Current assets</b>			
		8 622 565	22 457 496
Investments	4	4 000 142	16 292 100
Accounts receivable	5	444 576	4 811 307
Cash and cash equivalents	6	4 177 847	1 354 089
<b>Total assets</b>		<b>74 208 448</b>	<b>81 774 497</b>
<b>Reserves</b>			
		59 116 946	65 533 097
Revaluation reserve		6 790 406	7 334 904
Accumulated surplus		50 477 461	56 349 114
Reinsurance reserve		1 849 079	1 849 079
<b>Current liabilities</b>			
		15 091 502	16 241 400
Provision for outstanding claims	7	12 230 148	11 082 983
Accounts payable	8	2 861 354	5 158 417
<b>Total reserves and liabilities</b>		<b>74 208 448</b>	<b>81 774 497</b>

# Cash Flow Statement

for the year ended 30 June 2009

<i>In Pula</i>	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>Operating activities</b>			
Cash receipts from members	9.1	96 834 882	79 508 156
Cash paid for claims	9.2	(86 000 577)	(77 460 998)
Cash paid in respect of administrative expenses	9.3	<u>(18 198 994)</u>	<u>(13 060 222)</u>
<b>Net cash outflows from operating activities</b>		<u>(7 364 689)</u>	<u>(11 013 064)</u>
<b>Investing activities</b>			
Interest received - non investment call accounts	3	623 838	707 250
Interest received on investments	3	2 326 287	3 974 103
Disposal of MRI Shares		-	331 817
Disposal of Stanbic call account and fixed deposit		-	5 423 533
Matured Government bonds		-	7 101 127
Dividends on BBS shares	3	1 759 744	914 672
Purchase of Stanbic Bank Botswana Limited investments		-	(366 597)
Purchase of African Banking Corporation Botswana Limited investments		-	(327 348)
Purchase of African Alliance investments		-	(1 463 746)
Purchase of Botswana Building Society paid up shares	4	(1 759 744)	(914 672)
Movement on Debt Participation Capital Fund Note	4	(100 800)	-
Investment in Bokamoso Private Hospital Trust	14	(22 900 816)	(15 644 124)
Disposal of African Alliance Investments	4	16 456 666	-
Disposal of Stanbic Investment Management Services	4	3 655 057	-
Disposal of African Banking Corporation Investments	4	5 128 215	-
Proceeds from maturity of BBB004 Note	4	<u>5 000 000</u>	<u>-</u>
<b>Net cash flows from investing activities</b>		<u>10 188 447</u>	<u>(263 985)</u>
<b>Increase/(Decrease) in cash and cash equivalents</b>		2 823 758	(11 277 047)
Cash and cash equivalents at beginning of the year		<u>1 354 089</u>	<u>12 631 138</u>
Cash and cash equivalents at end of the year	6	<u>4 177 847</u>	<u>1 354 089</u>



# Statement of Accounting Policies

## for the year ended 30 June 2009

### **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 reserves, 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 reserves is recognised in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

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 / de-recognised by the Fund on the date it commits to purchase/sell the investments. Securities classified as held-to-maturity are recognised / de-recognised on the day they are transferred to/by the Fund.

#### **Reinsurance reserve**

This represents appropriations from the accumulated surplus 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 interest income on preference shares. Interest income is recognised in the income statement as it accrues. Interest income on preference shares is recognised on a time apportioned basis in the income statement as the income is earned.

#### **Recognition and de-recognition of assets and liabilities**

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



# Statement of Accounting Policies

(continued) for the year ended 30 June 2009

---

## **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 reserves and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in reserves is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement 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 income statement.

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.

# Notes to the Financial Statements

## for the year ended 30 June 2009

*In Pula*

### 1. Benefits

	2009	2008
Claims paid	78 874 030	71 216 115
VAT on claims	7 126 547	6 244 885
	<u>86 000 577</u>	<u>77 461 000</u>
Net increase in the claims provision	1 147 164	1 699 859
	<u>87 147 741</u>	<u>79 160 859</u>

### 2. Administration expenses

Administration fees	7 795 523	7 652 906
Annual general meeting expenses	102 582	197 629
Audit fees	56 914	77 724
Impairment for doubtful debts	211 731	935 480
Bank charges	96 289	16 785
Consultancy fees	1 004 034	787 246
Managed care program	340 218	305 651
Fidelity insurance	70 125	76 500
Funeral policy premium	567 992	503 101
Legal fees	8 981	12 591
Medical evacuation premium	2 875 759	1 991 144
Postages	138 933	217 435
Printing and stationery	139 599	320 628
Promotions and advertising	1 729 072	2 313 829
Subscriptions	145 289	101 376
Trustees' fees	330 092	105 780
	<u>15 613 133</u>	<u>15 615 805</u>

### 3. Investment and interest income

Interest on Government Bonds	-	707 250
Dividends on Botswana Building Society paid up shares	1 759 744	914 672
Realised interest from unit trusts held at African Alliance	1 453 266	683 920
Interest on other investment bank balances	873 021	2 529 006
Interest on bank call accounts	623 838	761 177
Profit on disposal of MRI Limited shares	-	30 318
	<u>4 709 869</u>	<u>5 626 343</u>



In Pula

#### 4. Investments

##### (a) Non-current investments

	2009	2008
Fair value at beginning of year	43 672 877	51 633 569
Dividends re-invested from Botswana Building Society shares	1 759 744	914 672
Interest re-invested(African Alliance) (note 3)	-	683 920
Decrease in fair value (page 39)	(544 498)	(2 156 657)
Disposal of MRI shares	-	(301 500)
Reclassification of Debt Participation Capital Fund Bond	(3 899 200)	(7 101 127)
Disposal of African Alliance Global Income Fund and Value Fund	(8 947 980)	-
Maturity of Barclays Bank of Botswana Note - BBB004	(5 000 000)	-
Fair value at end of year	<u>27 040 943</u>	<u>43 672 877</u>

Non-current investments are made up as follows:

African Alliance Botswana Value Fund	12 320 423	21 812 900
Botswana Building Society paid up shares	14 720 520	12 960 777
Barclays Bank of Botswana Note - BBB004	-	5 000 000
Debt Participation Capital Fund bond	-	3 899 200
	<u>27 040 943</u>	<u>43 672 877</u>

Investments in securities represent investments in listed equity securities, which present the Fund with opportunity for return through dividend income and trading gains. The fair values of these securities are based on quoted market prices. The investments in bonds and Botswana Building Society paid up shares are stated at cost.

##### (b) Current investments

Fair value at beginning of year	16 292 100	20 241 863
Disposal during the year	-	(5 423 533)
Stanbic call account and fixed deposit	-	-
Stanbic Investment Management Services	(3 655 057)	-



# Notes to the Financial Statements

for the year ended 30 June 2009

(continued)

In Pula

	2009	2008
African Alliance Botswana Liquidity Fund	(7 508 828)	-
African Banking Corporation	(5 128 215)	-
Stanbic Investment Management Services	-	779 826
Interest reinvested		
African Banking Corporation	-	327 348
African Alliance	142	366 596
Debt Participation Capital Fund Note	4 000 000	-
	<u>4 000 142</u>	<u>16 292 100</u>

## (b) Current investments

Current investments are made up as follows:

Investment in high interest earning call accounts	-	16 292 100
African Alliance Botswana Liquidity Fund	142	-
Debt Participation Capital Fund Note	4 000 000	-
	<u>4 000 142</u>	<u>16 292 100</u>

Current and non-current investments are classified as available-for-sale and are stated at fair value. The carrying amounts of instruments stated at cost approximate closely to their fair values.

## 5. Accounts receivable

Contributions outstanding	2 523 635	7 157 350
Less: Impairment for doubtful debts	<u>(2 089 220)</u>	<u>(2 523 980)</u>
	434 415	4 633 370
Sundry Debtors	1 301	5 104
Prepayments	6 375	-
Interest receivable: bonds	<u>2 485</u>	<u>172 833</u>
	<u>444 576</u>	<u>4 811 307</u>

## 6. Cash and cash equivalents

Current account	629 411	1 090 356
Call account	2 743 772	4 386 148
Pula settlement call account	1 767 744	25 882
Pula Settlement current account	(963 080)	(4 203 305)
Rand settlement account	-	55 008
	<u>4 177 847</u>	<u>1 354 089</u>

## *In Pula*

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

### **7. Provision for outstanding claims**

At beginning of year	11 082 983	9 383 124
Provision increase during the year	<u>1 147 165</u>	<u>1 699 859</u>
At end of year	<u>12 230 148</u>	<u>11 082 983</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**

Associated Fund Administrators Botswana (Proprietary) Limited	1 301 100	1 308 130
Sundry creditors	247 741	225 207
Provision for AGM expenses and audit fees	-	236 317
Value Added Tax on administration fees	100 216	100 418
Creditors for claims	9 650	3 288 345
Creditors for contributions	<u>1 202 647</u>	<u>-</u>
	<u>2 861 354</u>	<u>5 158 417</u>

### **9. Notes to the cash flow statement**

#### *9.1 Cash receipts from members*

Opening contributions receivable	7 157 350	3 877 223
Contributions for the year <i>(page 38)</i>	92 201 167	82 788 283
Closing contributions receivable <i>(note 5)</i>	<u>(2 523 635)</u>	<u>(7 157 350)</u>
	<u>96 834 882</u>	<u>79 508 156</u>

#### *9.2 Cash paid for claims*

Dread disease claims	(4 960 002)	(2 431 922)
Claims expenses	<u>(81 040 575)</u>	<u>(75 029 076)</u>
	<u>(86 000 577)</u>	<u>(77 460 998)</u>

# Notes to the Financial Statements

for the year ended 30 June 2009

(continued)

*In Pula*

## 9.3 Cash paid in respect of administration expenses

	2009	2008
Opening accounts payable (note 8)	(5 158 417)	(3 860 492)
Opening accounts receivable	177 937	500 115
Administration expenses (note 2)	(15 613 133)	(14 680 325)
Other operating income	(21 815)	-
Closing accounts receivable (note 5)	(10 161)	(177 937)
Decrease in debtors provision (note 5)	(434 759)	-
Closing accounts payable (note 8)	2 861 354	5 158 417
	<u>(18 198 994)</u>	<u>(13 060 222)</u>

(page 41)

## 10. Reinsurance reserve

At beginning of the year	1 849 079	3 430 065
Transfer from accumulated surplus	-	850 938
Transfer to accumulated surplus	-	(2 431 924)
	<u>1 849 079</u>	<u>1 849 079</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 and credited against claims costs, also accounted for through the income statement. A transfer equal to the dread disease costs incurred is made from reinsurance reserve to accumulated surplus each year. These costs were P4 960 002 in the current financial year (2008: P2 431 924).

## 11. Related parties

The Fund has a related party relationship with its Management Committee and Trustees. The transactions between the Fund and the related parties related to attendance fees for Management Committee meetings and Board of Trustees meetings. Fees paid amounted to P330 092 (2008: P105 780).



## 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 investments in available-for-sale equity securities. The Management Committee 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.

### *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	<u>7 - 11 % per annum</u>
------------------	---------------------------

### *Credit risk*

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2009 (continued)

## 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:

	2009	2008
Contributions receivables	2 523 635	7 157 350
Other receivables	10 161	177 937
Cash and cash equivalents at bank	4 182 855	1 354 089
Investments	69 146 294	59 964 977
	<u>75 862 945</u>	<u>68 654 353</u>

The ageing of contributions receivables at the reporting date was:

	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Not past due	916 903	482 484	2 314 478	-
Past due 1 - 30 days	155 343	155 343	1 473 137	-
Past due 31 - 90 days	734 724	734 724	656 842	-
Past due more than 90 days	716 669	716 669	2 712 893	2 523 980
	<u>2 523 635</u>	<u>2 089 220</u>	<u>7 157 350</u>	<u>2 523 980</u>

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

	2009	2008
Balance at beginning of year	2 523 980	1 588 500
Additional impairment recognised during the year	-	935 480
Impairment reversed to the income statement during the year	(434 760)	-
Balance at end of year	<u>2 089 220</u>	<u>2 523 980</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, but excludes the impact of netting agreements:

*Non-derivative financial liabilities*

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>6 months or less</b>
<b>30 June 2009</b>			
Outstanding claims	12 230 148	12 230 148	12 230 148
Other payables	2 861 354	2 861 354	2 861 354
	<u>15 091 502</u>	<u>15 091 502</u>	<u>15 091 502</u>
<b>30 June 2008</b>			
Outstanding claims	11 082 983	11 082 983	11 082 983
Other payables	5 158 417	5 158 417	5 158 417
	<u>16 241 400</u>	<u>16 241 400</u>	<u>16 241 400</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:

	<b>SA Rand</b>
<b>2009</b>	
Cash equivalents	-
	<u>-</u>
<b>Net balance sheet exposure</b>	<u>-</u>
<b>2008</b>	
Cash and cash equivalents	55 008
	<u>55 008</u>
<b>Net balance sheet exposure</b>	<u>55 008</u>

# Notes to the Financial Statements

for the year ended 30 June 2009 (continued)



The following significant exchange rates applied during the year.

	<b>2009</b>	<b>2008</b>
<b>1 BWP</b>		
SA Rand	1.1253	1.1660

### *Sensitivity analysis*

A 10 percent strengthening of the Botswana Pula against these currencies at year-end would have increased/ (decreased) reserves and the surplus or deficit 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 2008.

	<b>Reserves</b>	<b>Surplus or deficit</b>
<b>30 June 2009</b>		
SA Rand	-	-
	-	-
<b>30 June 2008</b>		
SA Rand	(5 501)	(5 501)
	(5 501)	(5 501)

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 and variable interest rate investments. Interest rates fluctuate with movements in the prime interest rate and are comparable with rates currently available in the market.

	<b>2009</b>	<b>2008</b>
<i>Fixed interest rate instruments</i>		
Investments	4 000 000	8 899 200
<i>Variable rate instruments</i>		
Cash equivalents	4 177 847	1 354 089
Variable interest rate investments	27 041 085	51 065 777
	31 218 932	52 419 866





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

	<b>2009</b>	<b>2008</b>
<i>Increase of 50 basis points</i>		
Variable rate instruments	<u>298 210</u>	<u>262 099</u>
<i>Decrease of 50 basis points</i>		
Variable rate instruments	<u>(298 210)</u>	<u>(262 099)</u>

### **13. Accounting estimates and judgements**

There critical accounting judgements required in applying the Fund's accounting policies relate mainly to estimates for accounts receivable, impairment provision and provision for outstanding claims. The Fund's estimates for accounts receivable impairment provision and provision for outstanding claims are continually reviewed and updated; 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. Investment in Bokamoso Private Hospital Trust**

	<b>2009</b>	<b>2008</b>
Balance at the beginning of the year	15 624 124	-
Investment during the period	<u>22 920 816</u>	<u>15 644 124</u>
Closing at the end of the year	<u>38 544 940</u>	<u>15 624 124</u>

The Fund is a stakeholder in the Bokamoso Private Hospital Trust with Botswana Public Officers' Medical Aid Scheme. The Fund is contributing 20% of the required funding and 80% is provided by Botswana Public Officers' Medical Aid Scheme. The hospital is still under construction and is expected to be completed and operational by 30 November 2009.



# Notes to the Financial Statements

for the year ended 30 June 2009

(continued)

## 15. New standards and interpretations not yet adopted

The following are new standards, amendments to standards and interpretations which are not yet effective for the year ended 30 June 2009 and have not been applied in preparing the annual financial statements:

- **FRS 8:** Operating Segments sets out requirements for disclosure of information in respect of an entity's operating segments, 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.
- **IFRS 2:** Share-based payment: Vesting conditions and cancellations (amendment). The amendments apply to equity-settled share-based payment transactions and clarify the meaning of "vesting and non-vesting conditions" and the accounting treatment where either the entity or the beneficiary of a grant chooses not to meet the vesting conditions. The revised IFRS 2, which becomes mandatory for the Fund's 2010 financial statements, is not expected to have any impact on the financial statements of the Fund.
- **IFRS 3:** Business combinations. This standard supersedes the previous IFRS 3 issued in 2004. The standard has introduced various terminology and scope changes. IFRS 3, which becomes mandatory for the Fund's 2010 financial statements, is not expected to have any impact on the financial statements of the Fund.
- **IAS 32 and IAS 1 amendment:** Puttable Financial Instruments and Obligations. Puttable financial instruments and obligations arising on liquidation require certain financial instruments that would ordinarily meet the definition of a financial liability to be classified as equity. These instruments must meet certain criteria as set out in IAS 32. The revision to the standard, which becomes mandatory for the Fund's 2010 financial statements, is not expected to have any impact on the financial statements of the Fund.
- **IAS 1:** Presentation of financial statements (revised). The main change in the revised IAS 1 is a requirement to present all non-owner changes in equity in a single statement of comprehensive income (which includes income statement line items). Under the revised standard, a statement of financial position (preferred term for "balance sheet") has to be presented at the beginning of the comparative period when the entity restates the comparatives as a result of a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. The revised IAS 1, which becomes mandatory for the Fund's 2010 financial statements, will require the additional and revised statements as noted.



- **IAS 23:** Borrowing Costs (revised) removes the option to expense borrowing costs and requires an entity to 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 becomes mandatory for the Fund's 2010 financial statements, constitutes a change in accounting policy for the Fund. In accordance with transitional provisions the Fund will apply the revised IAS 23 to qualifying assets from which capitalisation of borrowing costs commences on or after the effective date.













**Administered by Associated Fund Administrators Botswana (Pty) Ltd**

**Gaborone:** AFA House, Plot 61918, Showgrounds Office Park, Gaborone Botswana.  
PO Box 1212, Gaborone. **Tel:** 395 0586 **Fax:** 395 1165

**Francistown:** Autolot House, Plot 2074, Blue Jacket Street, PO Box 323 Francistown Botswana.  
**Tel:** 241 2390 **Fax:** 241 2340