



Medical Aid Fund

We care for your health!

Annual Financial Statements
for the year ended 30 June 2011

Pula Medical Aid Fund
Annual financial statements
for the year ended 30 June 2011

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Pula Medical Aid Fund

Board of Trustees' approval of the annual financial statements

The Fund's Board of Trustees is responsible for the preparation and fair presentation of the annual financial statements, comprising the statement of comprehensive income, statement of changes in reserves, statement of financial position at 30 June 2011 and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards.

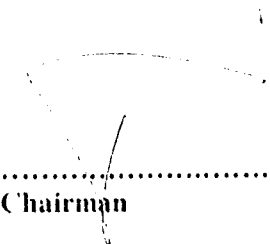
The Trustees are also responsible for such internal control as they may determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The Trustees have 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 of Pula Medical Aid Fund as defined in the first paragraph, were approved by the Board of Trustees' on 30/10/2012 and are signed on their behalf by:


.....
Chairman


.....
Board of Trustees member

Pula Medical Aid Fund

General information

Incorporation and business activities

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

The Fund had 15 903 members at 30 June 2011 (2010: 15 964).

Trustees

PD Stevenson (Chairman)
JM Matome (resigned 04 October 2010)
NN Mashalaba
PN Mazonde
T Moumakwa
A Wingreen (resigned 24 June 2011)
E Schoemaker
B Motubudi

Management Committee

C Kapalu (Chairman resigned 24 March 2011)
B Thipe (resigned 24 March 2011)
G Siamisang (resigned 24 March 2011)
A O Motsamai (resigned 28 January 2011)
P Mmokwa (resigned 24 March 2011)
R Malikongwa (resigned 24 March 2011)

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

First National Bank Botswana
Office Finance House
8843 Khama Crescent
P O Box 1552, Gaborone, Botswana

Auditors

KPMG Chartered Accountants
Plot 67977, Fairgrounds Office Park
Off Tlokweng Road
PO Box 1519, Gaborone, Botswana



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PULA MEDICAL AID FUND

Report on the financial statements

We have audited the accompanying annual financial statements of Pula Medical Aid Fund which comprise the statement of financial position as at 30 June 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 5 to 28.

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 for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 risk 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 give a true and fair view of the financial position of Pula Medical Aid Fund as at 30 June 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG
Certified Auditor
Practicing member: Gerard Devlin
Membership number: 19960060:23

Date: 14 December 2012
Place: Gaborone

Pula Medical Aid Fund
Statement of comprehensive income
for the year ended 30 June 2011

<i>In Pula</i>	<i>Note</i>	2011	2010
Income from contributions		134 716 059	113 432 637
Benefits paid	1	<u>(140 278 190)</u>	<u>(91 233 398)</u>
Net contribution (deficit)/surplus		(5 562 131)	22 199 239
Finance charges		(661 430)	-
Administration expenses	2	<u>(20 258 912)</u>	<u>(16 168 975)</u>
Operating (deficit)/surplus before write-off of the investment in Bokamoso Private Hospital Trust		(26 482 473)	6 030 264
HWrite-off of investment in Bokamoso Private Hospital Trust	5	(57 200 000)	-
Investment and interest income	3	<u>460 358</u>	<u>1 893 340</u>
(Deficit)/surplus for the year		<u><u>(83 222 115)</u></u>	<u><u>7 923 604</u></u>
Other comprehensive (loss)/income for the year			
Changes in fair value of available for sale securities		<u>131 780</u>	<u>1 453 042</u>
Total comprehensive (deficit)/surplus for the year		<u><u>(83 090 335)</u></u>	<u><u>9 376 646</u></u>

Pula Medical Aid Fund
Statement of changes in reserves
for the year ended 30 June 2011
In Pula

	Revaluation Reserve	Accumulated Surplus	Reinsurance Reserve	Total Reserves
At 01 July 2009	6 790 406	50 477 461	1 849 079	59 116 946
Total comprehensive surplus for the year	-	7 923 604	-	7 923 604
Change in fair value of investments	1 453 042	1 849 079	(1 849 079)	1 453 042
At 30 June 2010	8 243 448	60 250 144	-	68 493 592
Total comprehensive deficit for the year	-	(83 222 115)	-	(83 222 115)
Change in fair value of investments	131 780	-	-	131 780
At 30 June 2011	8 375 228	(22 971 971)	-	(14 596 743)

Pula Medical Aid Fund
Statement of financial position
as at 30 June 2011
In Pula

	<i>Note</i>	2011	2010
Assets			
Non-current assets		-	70 407 288
Investment in Bokamoso Private Hospital Trust	5	-	41 200 000
Investments	4	-	29 207 288
Current assets		27 402 816	20 415 979
Investments	4	19 557 325	-
Accounts receivable	6	6 007 887	5 061 713
Cash and cash equivalents	7	1 837 604	15 354 266
Total assets		<u>27 402 816</u>	<u>90 823 267</u>
Reserves		(14 596 743)	68 493 592
Revaluation reserve		8 375 228	8 243 448
Accumulated (deficit)/surplus		(22 971 971)	60 250 144
Non-current liabilities			
Borrowings	8	14 467 346	-
Current liabilities		27 532 213	22 329 675
Short term portion of borrowings	8	1 026 053	-
Provision for outstanding claims	9	19 672 376	14 800 032
Accounts payable	10	6 833 784	7 529 643
Total liabilities		<u>41 999 559</u>	<u>22 329 675</u>
Total reserves and liabilities		<u>27 402 816</u>	<u>90 823 267</u>

Pula Medical Aid Fund
Statement of cash flows
for the year ended 30 June 2011
In Pula

	<i>Note</i>	2011	2010
Operating activities			
Cash receipts from members	<i>11.1</i>	132 557 003	110 538 907
Cash paid for claims	<i>11.2</i>	(135 405 846)	(88 663 513)
Cash paid in respect of administrative expenses	<i>11.3</i>	<u>(19 741 889)</u>	<u>(13 224 094)</u>
Net cash (outflow)/inflow from operating activities		<u>(22 590 732)</u>	<u>8 651 300</u>
Investing activities			
Interest received on bank call accounts	<i>3</i>	240 095	377 560
Interest received on other investments	<i>3</i>	2 006	802 477
Dividends on Botswana Building Society shares	<i>3</i>	218 257	713 303
Purchase of Botswana Building Society paid up shares	<i>4</i>	(218 257)	(713 303)
Disposal of Botswana Building Society paid up shares	<i>4</i>	10 000 000	-
Disposal of the Debt Participation Capital Fund Note	<i>4</i>	-	4 000 000
Investment in Bokamoso Private Hospital Trust	<i>5</i>	(16 000 000)	(2 655 060)
Disposal of African Alliance Investments	<i>4</i>	<u>-</u>	<u>142</u>
Net cash (outflow)/inflow from investing activities		<u>(5 757 899)</u>	<u>2 525 119</u>
Financing activities			
Finance charges		(661 430)	-
Financing obtained		16 000 000	-
Capital repayments of long term liabilities		<u>(506 601)</u>	<u>-</u>
Net cash inflow from financing activities.		<u>14 831 969</u>	<u>-</u>
(Decrease)/increase in cash and cash equivalents		(13 516 662)	11 176 419
Cash and cash equivalents at beginning of the year		<u>15 354 266</u>	<u>4 177 847</u>
Cash and cash equivalents at end of the year	<i>7</i>	<u><u>1 837 604</u></u>	<u><u>15 354 266</u></u>

Pula Medical Aid Fund

Significant accounting policies for the year ended 30 June 2011

Reporting entity

Pula Medical Aid Fund (PULA) was registered on 31 July 1991 under a Notarial Deed of Trust to provide assistance to members of the Fund and their dependents in defraying expenditure incurred in connection with medical and related services. Pula Medical Aid Fund is domiciled in Botswana.

Basis of preparation

Statement of compliance

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

Functional and presentation currency

The financial statements are presented in Botswana Pula, which is also the functional currency.

Basis of measurement

The financial statements are prepared on the historical cost basis, except for financial instruments which are measured at amortised cost or at fair value.

Use of estimates and judgments

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

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

Judgements made in the application of IFRSs that have a significant impact on the financial statements and estimates with a significant risk of material adjustment in the next year relate to the provision for doubtful debts (Note 6), the provision for outstanding claims (Note 9) and impairment of assets (Notes 4,5,6 and 7).

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 2011, and have not been applied in preparing these financial statements.

- Amendment to IAS 1 Presentation of Financial Statements: The amendment requires an entity to present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories have to be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. This amendment will be applied retrospectively and the comparative information will be restated. The amendment, which becomes effective for the 2013 financial statements, is not expected to have any impact on the financial statements of the fund.

Pula Medical Aid Fund

Significant accounting policies (*continued*) for the year ended 30 June 2011

New standards and interpretations not yet adopted (*continued*)

- Amendments to IAS 19 Employee Benefits: Defined benefit plans: This amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss are no longer permitted. Past service costs as well as gains and losses on curtailments / settlements are recognised in the statement of comprehensive income. Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation. The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled. The amendment, which becomes effective for the 2014 financial statements, is not expected to have any impact on the financial statements of the fund.
- IAS 27 (2011) Separate Financial Statements: IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard, which becomes effective for the 2014 financial statements, is not expected to have any significant impact on the financial statements of the entity.
- IAS 28 Investments in Associates and Joint Ventures (2011): IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. The amendments addresses that IFRS 5 is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest. The standard, which becomes effective for the 2014 financial statements, is not expected to have any impact on the financial statements of the entity.
- IFRS 9 (2009) Financial Instruments: The standard addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39 (AC 133). Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The standard, which becomes effective for the 2016 financial statements, is not expected to have a significant impact on the financial statements of the entity.
- IFRS 9 (2010) Financial Instruments: The standard addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39. Under IFRS 9, the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:
 - fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.
 - Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.The standard, which becomes effective for the 2016 financial statements, is not expected to have a significant impact on the financial statements of the entity.

Pula Medical Aid Fund

Significant accounting policies (*continued*) for the year ended 30 June 2011

New standards and interpretations not yet adopted (*continued*)

- IFRS 10 Consolidated Financial Statements: The standard introduces a single control model to assess whether an investee should be consolidated. This control model requires entities to perform the following in determining whether control exists:
 - Identify how decisions about the relevant activities are made,
 - Assess whether the entity has power over the relevant activities by considering only the entity's substantive rights,
 - Assess whether the entity is exposed to variability in returns, and
 - Assess whether the entity is able to use its power over the investee to affect returns for its own benefit.

Control should be assessed on a continuous basis and should be reassessed as facts and circumstances change. The standard, which becomes effective for the 2014 financial statements, is not expected to have any significant impact on the financial statements of the entity.

- IFRS 11 Joint Arrangements: The standard will be applied retrospectively, subject to certain transitional provisions. The standard establishes that classification of the joint arrangement depends on whether parties have rights to and obligations for the underlying assets and liabilities. According to the standard, joint arrangements are divided into two types, each having its own accounting model.
 - Joint operations whereby the jointly controlling parties, known as joint operators, have rights and obligations for the liabilities, relating to the arrangement, and
 - Joint ventures whereby the joint controlling parties, known as joint ventures, have rights to the net assets of the arrangement.

In terms of the standard, all joint ventures will have to be equity accounted. The standard, which becomes effective for the 2014 financial statements, is not expected to have a significant impact on the financial statements of the entity.

IFRS 12 Disclosure of Interests in Other Entities: The standard combines the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities in a single standard. The required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities. The standard, which becomes effective for the 2014 financial statements, is not expected to have a significant impact on the financial statements of the entity.

- IAS 24: Related Party Disclosures: The new standard requires a reporting entity to disclose transactions with its related parties and relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. This standard will be incorporated into the financial statements of the entity in the 2012 financial year.
- IFRS 7 amendment: Transfer of financial assets: The new standard requires a reporting entity to additionally disclose the transfer of financial assets that are not derecognised entirely or derecognised entirely but for which the entity retains continuing involvement. The revision, which becomes mandatory for the entity's 2014 financial statements, is not expected to have a significant impact on the financial statements of the entity.

Pula Medical Aid Fund

Significant accounting policies (*continued*) for the year ended 30 June 2011

New standards and interpretations not yet adopted (*continued*)

- IFRS 13 Fair Value Measurement: The standard will be applied prospectively and comparatives will not be restated. The standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in the standard are as follows:
 - Fair value is an exit price;
 - Measurement considers characteristics of the asset or liability and not entity-specific characteristics;
 - Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants;
 - Price is not adjusted for transaction costs;
 - Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs; and
 - The three-level fair value hierarchy is extended to all fair value measurements.

The adoption of the standard will increase the level of fair value measurement. The standard will be incorporated into the 2014 financial statements of the entity.

- IFRIC 14: IAS 19 requires certain criteria to be met before an entity may recognise an asset in respect of a defined benefit plan. IFRIC 14 provides additional guidance on how these criteria should be interpreted, in particular where the plan requires minimum contributions to be made (regardless of the surplus). In terms of the Pension Funds Act, an entity operating a defined benefit plan is required to submit a scheme to the Registrar of Pension Funds, setting out the contributions which will be made to eliminate its statutory deficit. This is a minimum funding requirement to cover an existing shortfall for past service which will be dealt with in accordance with IFRIC 14. The 2012 financial statements of the entity are not expected to be impacted as the entity does not currently operate a defined benefit plan.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Pula Medical Aid Fund

Significant accounting policies (*continued*)

for the year ended 30 June 2011

Provision for outstanding claims

The amount represents estimated outstanding claims incurred during the financial year, but payable in the succeeding financial year. The Fund uses the services of actuaries to compute the provision.

Contribution income

The Fund obtains monthly contributions from its members. These contributions are recognised in the income statement on an accrual basis.

Benefits

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

Investments

Equity investments are carried at cost less any accumulated impairment losses.

Other investments are recognised on a trade date basis and are initially measured at cost. Investments, including managed funds, are classified as available for sale investments and are subsequently measured at fair value. The fair value of investments classified as available-for-sale is their market value at the reporting date.

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

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.

Accounts receivable

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

Cash and cash equivalents

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

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

Accounts payable

Accounts payable, which are normally settled on 30 to 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Pula Medical Aid Fund

Significant accounting policies (*continued*) for the year ended 30 June 2011

Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised at cost, being the fair value of the consideration received and include acquisition charges associated with the borrowing or loan.

After initial recognition, all interest-bearing loans and borrowings, other than liabilities held for trading are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement.

For liabilities carried at amortised cost, any gain or loss is recognised in the profit or loss when the liability is derecognised or impaired, as well as through the amortisation process.

Investment income

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

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

Recognition and de-recognition of assets and liabilities

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

Impairment

The carrying amounts of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

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

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

Pula Medical Aid Fund

Significant accounting policies (*continued*) for the year ended 30 June 2011

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

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Foreign currencies

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

Administration fees

Administration fees relate to amounts paid to the Fund's administrators. The fees are charged to the statement of comprehensive income as the services are provided.

Pula Medical Aid Fund
Notes to the financial statements
for the year ended 30 June 2011
In Pula

	2011	2010
1. Benefits		
Claims paid	121 973 746	79 179 709
VAT on claims	13 432 100	9 483 805
	<u>135 405 846</u>	<u>88 663 514</u>
Net increase in the claims provision	4 872 344	2 569 884
	<u>140 278 190</u>	<u>91 233 398</u>
2. Administration expenses		
Administration fees	10 930 460	8 096 212
Annual general meeting expenses	172 411	254 622
Audit fees	108 468	100 430
Increase/(decrease) in doubtful debts	537 461	(791 443)
Bank charges	137 886	66 216
Actuarial Consultancy	261 617	642 466
Pharmaceutical benefit management consultancy	512 522	394 181
Aid for AIDS consultancy	259 386	248 036
Managed care program	409 461	353 341
Fidelity insurance	76 500	76 500
Funeral policy premium	621 125	594 875
Legal fees	69 650	60 041
Medical evacuation premium	3 121 678	2 765 630
Postages	325 431	146 766
Printing and stationery	216 247	161 838
Promotions and advertising	1 303 920	2 060 811
Subscriptions	66 559	58 738
Pharmaceutical benefit management fees	663 855	714 543
Management committee training	78 365	-
Trustees' fees	385 910	165 172
	<u>20 258 912</u>	<u>16 168 975</u>
3. Investment and interest income		
Dividends on Botswana Building Society paid up shares	218 257	713 303
Interest on other investment bank balances	2 006	802 477
Interest on bank call accounts	240 095	377 560
	<u>460 358</u>	<u>1 893 340</u>

Pula Medical Aid Fund

Notes to the financial statements (*continued*) for the year ended 30 June 2011

In Pula

	2011	2010
4. Investments		
	<i>Current assets</i>	<i>Non-current assets</i>
Fair value at beginning of year	29 207 288	27 040 943
Dividends re-invested from Botswana Building Society shares	218 257	713 303
Disposal of Botswana Building Society shares	(10 000 000)	-
Increase in fair value (page 6)	<u>131 780</u>	<u>1 453 042</u>
Fair value at end of year	<u>19 557 325</u>	<u>29 207 288</u>
Investments are made up as follows:	<i>Current assets</i>	<i>Non-current assets</i>
African Alliance Botswana Value Fund	13 905 245	13 773 465
Botswana Building Society paid up shares	<u>5 652 080</u>	<u>15 433 823</u>
	<u>19 557 325</u>	<u>29 207 288</u>

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

5. Investment in Bokamoso Private Hospital Trust

Balance at the beginning of the year	41 200 000	38 544 940
Additional expenditure during the year	16 000 000	2 655 060
Write off of the investment	<u>(57 200 000)</u>	<u>-</u>
Balance at the end of the year	<u>-</u>	<u>41 200 000</u>

The Fund had an interest in the Bokamoso Private Hospital Trust (BPHT), which operated the Bokamoso Private Hospital (BPH), with the Botswana Public Officers' Medical Aid Scheme (BPOMAS). The Fund contributed 20% of the required funding and 80% was provided by BPOMAS. BPH commenced operations in January 2010 and the BPHT was put under sequestration a year later. Subsequent to year end, the Board of Trustees resolved to write-off the Fund's entire investment in the Bokamoso Private Hospital Trust. Further the Board resolved that the Fund will not participate in the new entity formed by Lenmed Health Holdings and Botswana Public Officers' Medical Aid Scheme to own and manage the hospital.

The additional expenditure during the year of P16 000 000 relates to claims settled on behalf of Bokamoso Private Hospital Trust. The Fund had guaranteed 20% of these claims.

Pula Medical Aid Fund

Notes to the financial statements (*continued*) for the year ended 30 June 2011

In Pula

	2011	2010
6. Accounts receivable		
Contributions outstanding (note 11.1)	7 576 421	5 417 365
Less: Impairment for doubtful debts	<u>(1 962 106)</u>	<u>(1 424 644)</u>
	5 614 315	3 992 721
Sundry debtors	387 197	1 062 617
Prepayments	<u>6 375</u>	<u>6 375</u>
	<u>6 007 887</u>	<u>5 061 713</u>

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

	2011	2010
7. Cash and cash equivalents		
Current account	(554 415)	2 045 655
Call account	2 782 024	10 847 916
Settlement call account	38 320	2 893 937
Settlement current account	<u>(428 325)</u>	<u>(433 242)</u>
	<u>1 837 604</u>	<u>15 354 266</u>

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

	2011	2010
8. Borrowings		
Loan from First National Bank of Botswana	15 493 399	-
Less: Current portion transferred to current liabilities	<u>(1 026 053)</u>	<u>-</u>
	<u>14 467 346</u>	<u>-</u>

The term loan is unsecured. The loan is repayable in 120 monthly instalments commencing 19 January 2011 and bears interest at the prime lending rate less 1%.

Pula Medical Aid Fund
Notes to the financial statements (continued)
for the year ended 30 June 2011
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9. Provision for outstanding claims	2011	2010
At beginning of year	14 800 032	12 230 148
Provision increase during the year	<u>4 872 344</u>	<u>2 569 884</u>
At end of year	<u>19 672 376</u>	<u>14 800 032</u>

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

10. Accounts payable

Associated Fund Administrators Botswana (Proprietary) Limited	1 144 699	1 601 201
Sundry creditors	337 208	320 879
Value Added Tax on administration fees	141 327	134 578
Creditors for claims	<u>5 210 550</u>	<u>5 472 985</u>
	<u>6 833 784</u>	<u>7 529 643</u>

Creditors for claims represents claims that have been processed and approved for payment but not yet paid at the reporting date.

Pula Medical Aid Fund

Notes to the financial statements (*continued*) for the year ended 30 June 2011

In Pula

		2011	2010
11. Notes to the statement of cash flows			
11.1 Cash receipts from members			
Opening contributions receivable		5 417 365	2 523 635
Contributions for the year	<i>(page 6)</i>	134 716 059	113 432 637
Closing contributions receivable	<i>(note 6)</i>	<u>(7 576 421)</u>	<u>(5 417 365)</u>
	<i>(page 8)</i>	<u>132 557 003</u>	<u>110 538 907</u>
11.2 Cash paid for claims			
Claims expenses	<i>(note 1)</i>	<u>135 405 846</u>	<u>88 663 513</u>
11.3 Cash paid in respect of administration expenses			
Opening accounts payable	<i>(note 10)</i>	(7 529 643)	(2 861 354)
Opening accounts receivable		1 068 992	10 161
Administration expenses	<i>(note 2)</i>	(20 258 912)	(16 168 975)
Closing other accounts receivable	<i>(note 6)</i>	(393 572)	(1 068 992)
Increase/ (decrease) in debtors provision	<i>(note 6)</i>	537 462	(664 577)
Closing accounts payable	<i>(note 10)</i>	<u>6 833 784</u>	<u>7 529 643</u>
	<i>(page 8)</i>	<u>(19 741 889)</u>	<u>(13 224 094)</u>

Pula Medical Aid Fund

Notes to the financial statements (*continued*)

for the year ended 30 June 2011

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12. Financial instruments

Credit risk

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

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

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

Exposure to credit risk

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

	2011	2010
Contributions receivables	7 576 421	5 417 365
Other receivables	393 572	1 068 992
Cash and cash equivalents at bank	1 837 604	15 354 266
Investments	19 557 325	29 207 288
Investment in Bokamoso Private Hospital Trust	-	41 200 000
	<u>29 364 922</u>	<u>92 247 911</u>

Pula Medical Aid Fund

Notes to the financial statements (continued)

for the year ended 30 June 2011

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12 Financial instruments (continued)

Exposure to credit risk (continued)

The ageing of contribution receivables at the reporting date was:

	Gross 2011	Impairment 2011	Gross 2010	Impairment 2010
Not past due	3 677 793	-	2 835 442	-
Past due 1 - 30 days	1 555 743	-	1 157 279	-
Past due 31 – 90 days	1 440 779	1 060 000	1 424 644	1 424 644
Past due more than 90 days	902 106	902 106	-	-
	<u>7 576 421</u>	<u>1 962 106</u>	<u>5 417 365</u>	<u>1 424 644</u>

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

	2011	2010
Balance at beginning of year	1 424 644	2 089 220
Additional impairment recognised during the year	1 364 061	748 038
Write off for the year	(275 533)	(122 782)
Impairment reversed to the statement of comprehensive income during the year	<u>(551 066)</u>	<u>(1 289 832)</u>
Balance at end of year	<u>1 962 106</u>	<u>1 424 644</u>

Based on historic default rates, the Fund believes that, apart from the above, no further impairment allowance is necessary in respect of contribution receivables not past due.

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

	Carrying amount	Contractual cash flows	Within one year	More than one year
30 June 2011				
Borrowings	15 493 399	15 493 399	1 026 053	14 467 346
Outstanding claims	5 210 550	5 210 550	5 210 550	-
Other payables	1 623 050	1 623 050	1 623 050	-
	<u>22 326 999</u>	<u>22 326 999</u>	<u>7 859 653</u>	<u>14 467 346</u>

Pula Medical Aid Fund

Notes to the financial statements (continued)

for the year ended 30 June 2011

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12. Financial instruments (continued)

Non-derivative financial liabilities (continued)

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

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

Exposure to interest rate risk

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

Call account 5.7% (2010: 5%) per annum

Long term borrowings 10% (2010: Nil) per annum

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

	2011	2010
Variable rate instruments		
Long term borrowings	(15 493 399)	-
Cash equivalents	1 837 604	15 354 266
Variable interest rate investments	19 557 325	29 207 288
	<u>5 901 529</u>	<u>44 561 554</u>

With average interest rates on investments at 5.7% in 2011 (2010: 5%), and on borrowings at 10% in 2011 (2010: Nil), 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:

	2011	2010
Increase of 50 basis points		
Long term borrowings	(77 467)	-
Variable rate instruments	106 975	222 808
	<u>29 508</u>	<u>222 808</u>
Decrease of 50 basis points		
Long term borrowings	77 467	-
Variable rate instruments	(106 975)	(222 808)
	<u>(29 508)</u>	<u>(222 808)</u>

Pula Medical Aid Fund

Notes to the financial statements (*continued*)

for the year ended 30 June 2011

In Pula

12. Financial instruments (*continued*)

Fair value hierarchy

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

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

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

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Fund uses widely recognised valuation models for determining the fair value of common and more simple financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities and exchange traded derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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

Pula Medical Aid Fund

Notes to the financial statements (*continued*)

for the year ended 30 June 2011

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12. Financial instruments (*continued*)

Fair value hierarchy (*continued*)

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

	Level 1	Level 2	Level 3	Total
31 March 2011				
Equity investments	13 905 245	-	-	13 905 245
Paid up permanent shares	-	-	5 652 080	5 652 080
	<u>13 905 245</u>	<u>-</u>	<u>5 652 080</u>	<u>19 557 325</u>
31 March 2010				
Equity investments	13 773 465	-	-	13 773 465
Paid up permanent shares	-	-	15 433 823	15 433 823
Investment in Bokamoso Private Hospital Trust	-	-	41 200 000	41 200 000
	<u>13 773 465</u>	<u>-</u>	<u>56 633 823</u>	<u>70 407 288</u>

13. Related parties

Key management personnel

The Fund has a related party relationship with its Management Committee and the Board of 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 P385 910 (2010: P165 172).

Other related party transactions

The Fund had the following transactions with Bokamoso Private Hospital Trust, a Trust in which the Fund had a 20% interest. The investment in the Trust was written-off in the current year.

<i>Nature of transaction</i>	Transaction value	Balance outstanding
2011		
Investments	(41 200 000)	-
Additional expenditure during the year	(16 000 000)	-
	<u>1 831 885</u>	<u>5 210 550</u>
2010		
Investments	<u>2 655 060</u>	<u>41 200 000</u>
Benefit claims	<u>5 192 250</u>	<u>3 378 665</u>

Pula Medical Aid Fund

Notes to the financial statements (*continued*)

for the year ended 30 June 2011

In Pula

14. Going concern

The Fund is currently technically insolvent as at 30 June 2011 as its liabilities exceed its assets by P 14 596 743 (2010: assets exceeded liabilities by P 68 493 592). The Fund incurred a deficit of P 83 090 335 (2010: Surplus of P 9 376 646). The solvency ratio was -11% (2010: 60%). The current financial status of the Fund is mainly due to the write-off of its investment in Bokamoso Private Hospital Trust of P57 200 000. This is a once off transaction and the Fund has no further liability to the Trust.

The Fund is dependent on its cash flows for its ability to continue as a going concern. The above conditions may give rise to a material uncertainty which may cast significant doubt about the Fund's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

A strategic review was undertaken by the Trustees in September 2011 and a turnaround plan devised to ensure the growth and sustainability of the Fund.

Management accounts for the period to 31 October 2012, indicated that the Fund generated a surplus of P 22 248 580. As a result that the Fund has an accumulated deficit of P 723 391 at 31 October 2012. The solvency ratio as at 31 October 2012 is -0.34%.

Based on the Fund's continuing positive operations from the implementation of the Turnaround Strategy, the Trustees are of the opinion that the Fund remains a going concern.

Pula Medical Aid Fund
Notes to the financial statements (continued)
for the year ended 30 June 2011
In Pula

15. Financial risk management (continued)
Classification of financial instruments

2011	Total	Fair value through profit and loss	Financial assets and liabilities Loans and receivables	At amortised cost	Non-financial instruments	Current assets and liabilities	Current/ non-current assets and liabilities
ASSETS							
Current investments	19 557 325	13 905 245	-	5 652 080	-	19 557 325	-
Accounts receivable	6 007 887	-	6 007 887	-	-	6 007 887	-
Cash and cash equivalents	1 837 604	1 837 604	-	-	-	1 837 604	-
	27 402 816	13 905 245	6 007 887	5 652 080	-	27 402 816	-
LIABILITIES							
Borrowings	15 493 399	-	-	15 493 399	-	1 026 053	14 467 346
Provision for outstanding claims	19 672 376	-	-	-	19 672 376	19 672 376	-
Accounts payable	6 833 600	-	-	6 833 600	-	6 833 600	-
	41 999 375	-	-	22 326 999	19 672 376	27 532 029	14 467 346

Pula Medical Aid Fund

Notes to the financial statements (continued)
for the year ended 30 June 2011
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15. Financial risk management (continued) Classification of financial instruments (continued)

2010	Total	Fair value through profit and loss	Loans and receivables	At amortised cost	Fair value through other comprehensive income	Non-financial instruments	Current assets and liabilities	Current/ non-current assets and liabilities
ASSETS								
Investment in Bokamoso Private Hospital Trust	41 200 000	-	-	41 200 000	-	-	-	41 200 000
Non-current investments	29 207 288	13 773 465	-	15 433 823	-	-	-	29 207 288
Accounts receivable	5 061 713	-	5 061 713	-	-	-	5 061 713	-
Cash and cash equivalents	15 354 266	-	15 354 266	-	-	-	15 354 266	-
	90 823 267	13 773 465	20 415 979	56 633 823	-	-	20 415 979	70 407 288
LIABILITIES								
Provision for outstanding claims	14 800 032	-	-	-	-	14 800 032	14 800 032	-
Accounts payable	7 529 643	-	-	7 529 643	-	-	7 529 643	-
	22 329 675	-	-	7 529 643	-	14 800 032	22 329 675	-