




Medical Aid Fund

We care for your health!

ANNUAL GENERAL MEETING REPORT
FOR THE FINANCIAL YEAR 2013/2014

12 DECEMBER 2014, AT LANSMORE HOTEL, GABORONE

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THE 2014 ANNUAL GENERAL MEETING (AGM) OF THE FUND WILL BE HELD ON 12 DECEMBER 2014, AT LANSMORE HOTEL, GABORONE AT 09:00AM

AGENDA

1. Notice convening the meeting
2. Apologies
3. Adoption of the Agenda
4. Chairman's Opening Remarks
5. Confirmation of the minutes of the previous Annual General Meeting held on 10 December 2013
6. Consideration and adoption of the Report of the Board of Trustees for the year ended 30 June 2014
7. Consideration and adoption of the audited Annual Financial Statements for the year ended 30 June 2014 and the report of the External Auditors
8. Approval of Review or Amendment of Fund Rules and Notarial Deed of Trust
9. Appointment or Re-appointment of Trustees
10. Appointment or Re-Appointment of External Auditors for the ensuing year
11. Any other business
12. Closure

A member entitled to attend and vote may appoint a proxy to attend and vote for him on his behalf and such a proxy shall be a member of the Fund. The instrument appointing such a proxy must be deposited at the registered office of the Fund at Plot 61918, Fairgrounds Office Park, Gaborone not less than 24 hours before the meeting.

By Order of the Board of Trustees

If you cannot attend the Annual General Meeting of the Pula Medical Aid Fund to be held on the 12th December 2014 at 09:00 am at Lansmore Hotel, Gaborone, and you are entitled to vote at the Annual General Meeting, you may appoint a proxy to vote on your behalf. This proxy only applies to the Annual General Meeting, and any adjournment of that meeting.

A. YOUR DETAILS

FULL NAMES

MEMBERSHIP NO.

POSTAL ADDRESS

EMAIL

B. WHO DO YOU WANT TO APPOINT AS YOUR PROXY

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

Chairperson of the Annual General Meeting

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

OR

The following person

If you want to appoint someone else, give their details. If you do not provide a name, you will be taken to have appointed the Chairperson as your proxy.

FULL NAMES

MEMBERSHIP NO.

POSTAL ADDRESS

EMAIL

DATE: _____

SIGNATURE: _____

* A proxy nomination shall only be given to a member of the Fund.

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

AFA House, Plot 61918, Showgrounds Office Park, P O Box 1212, Gaborone, Tel: 365 0500, Fax: 395 1165

CHAIRMAN'S FOREWORD

During the year under review the Fund continued to consolidate its financial and operational performance, despite keen competition and continued slow recovery of the local and global economies.

The Fund will, during the course of the new financial year, embark on interventions that will enable it to respond with agility to on-going market challenges, continually improve service delivery and adding value to all its stakeholders. To this end, the Board of Trustees (BoT) will be requesting members' approval for a number of amendments to the Fund Rules. In addition, members are urged to continually ensure that their contact details with the Fund are timely updated in order to facilitate easier and direct communication.

The Fund has introduced a number of information and communication technology (ICT) platforms to ease claims submission and processing, facilitate member access to their medical aid records, including benefit information and claim payments. Consequently, I would like to take this opportunity to encourage members to use the Fund's website to easily access such information 24/7.

Members may note that increasing healthcare costs continues to be a serious challenge to the sustainability of the Fund. I would like to take this opportunity to encourage prudent utilisation of benefits and rational and ethical selection of healthcare interventions by those qualified to do so.

The year under review saw the Fund record a surplus of **P20.7million** that was 17% higher than that recorded in the prior year. The cumulative surpluses and increased cash and cash equivalents resulted in the Fund's solvency increasing from 8.7% to 16%. Total assets increased from **P43.7 million** to **P61.4million**.

GOVERNANCE

As previously reported, key employer groups were requested to nominate representatives to the Board of Trustees. These have all been approved by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and took office during the course of the year.

In line with the governance instruments of the Fund, members will be requested to re-elect and/or re-appoint those members of the Board whose term of office has or will be expiring as Board of Trustees at the Annual General Meeting. Members are reminded to exercise this right carefully as it may have impact on the running and continued success of the Fund.

While NBFIRA is in the process of determining how best to regulate and supervise the Medical Aid Industry



and to come up with a regulatory framework, the Fund continues to be compliant with the requirements of NBFIRA.

CONCLUSION

I would like to reiterate to members that the Fund is keenly looking forward to their continued input in improving service delivery. To this end, the Fund will be sending out electronic questionnaires requesting feedback with respect to members' experiences during their interaction with the Fund and its Administrators.

In addition, members are now receiving SMS messages that provide information on how their claims are being paid. Members are encouraged to scrutinise these to ensure that the transactions are legitimate.

The Fund will continue to leverage ICT in order to facilitate member participation in the running of the Fund, general communication and improve service delivery.

I would like to conclude by thanking all the Trustees and Administrators for their continued commitment and hard work which has positively contributed to the performance of the Fund.

I look forward to seeing you all at the 2014 Annual General Meeting (AGM).

Yours sincerely,

P D Stevenson
Chairman

BOARD OF TRUSTEES



MR. PETER D. STEVENSON
CHAIRMAN

Mr Peter D. Stevenson is the current Pula Medical Aid Fund Board of Trustees Chairman. He was appointed to the Board of Trustees in 2004.



MR. MALEHO MOTHIBATSELA
VICE CHAIRMAN

Mr Maleho Mothibatsela is the current Pula Medical Aid Fund Board of Trustees Vice Chairman, serving as an independent member since August 2011.



MR. BATHO MOTUBUDI
MEMBER

Mr Batho Motubudi is a member of the Pula Medical Aid Fund Board of Trustees, serving as an independent member since August 2007.



MS. KUNGO MABOGO
MEMBER

Ms Kungo Mabogo is a member of the Pula Medical Aid Fund Board of Trustees as an independent member. She was appointed to the Board of Trustees in August 2011.



DR. THATO MOUMAKWA
MEMBER

Dr Thato Moumakwa has been a member of the Pula Medical Aid Fund Board of Trustees since August 2008. He serves in the Board as an independent member.



MS. CHANDIDA THEMBE
MEMBER

Ms Chandida Thembe is a member of the Pula Medical Aid Fund Board of Trustees representing Civil Aviation Authority of Botswana (CAAB). She was appointed to the Board of Trustees in July 2013.



MS. MUKANI PELAELO
MEMBER

Ms Mukani Pelaelo is a member of the Pula Medical Aid Fund Board of Trustees representing Botswana Unified Revenue Services (BURS). She was appointed to the Board of Trustees in June 2011.



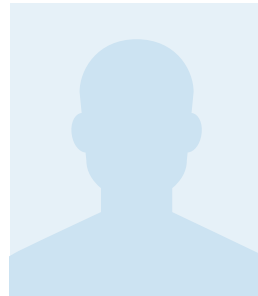
MR. GEOFFREY MAHLAKA
MEMBER

Mr Geoffrey Mahlaka is a member of the Pula Medical Aid Fund Board of Trustees representing Botswana Ash (Pty) Ltd. He was appointed to the Board of Trustees in July 2013.



DR. BAKANI THIPE
MEMBER

Dr Bakani Thipe is a member of the Pula Medical Aid Fund Board of Trustees representing Tati Nickel Mining Company. He was appointed to the Board of Trustees in June 2011.



MR. OBAKENG MOROKA
MEMBER

Mr Obakeng Moroka is a member of the Pula Medical Aid Fund Board of Trustees representing Debswana Diamond Company. He was appointed to the Board of Trustees in July 2013.



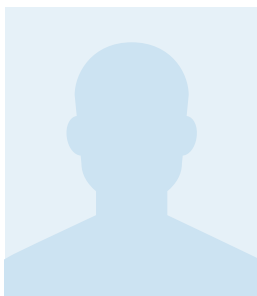
MS. GRACE SIAMSANG
ALTERNATE

Ms Grace Siamasang is an alternate member to Ms Mukani Pelaelo representing Botswana Unified Revenue Services (BURS). She was appointed to the Board of Trustees in June 2011.



DR. PATSON MAZONDE
ALTERNATE

Dr Patson Mazonde is an alternate member to Mr Maleho Mothibatsela. He was appointed to the Board of Trustees in December 2011.



MR. OTENG SEBONEGO
ALTERNATE

Mr Oteng Sebonego is an alternate member to Mr Batho Motubudi. He was appointed to the Board of Trustees in December 2011.

MINUTES OF THE ANNUAL GENERAL MEETING OF THE MEMBERS, HELD ON 10 DECEMBER 2013, AT 08:38, AT CRESTA LODGE, GABORONE

1. PRESENT:

1.1 Board of Trustees

P D Stevenson
B Motubudi
B Thipe
K Mabogo

1.2 General Membership

There were 30 members who attended in person and 103 proxies. A total of 123 proxies had been received however 20 were spoilt.

2. IN ATTENDANCE:

2.1 Administrators - AFA Botswana (Pty) Ltd

D Thela
M Matome
J Buno
L Keloneilwe (Recording)

2.1 External Auditors

PricewaterhouseCoopers (PwC): S Edirisinghe
S Vithanage

The meeting was called to order at 08:38.

4. NOTICE AND CONSTITUTION OF THE MEETING

The notice of the meeting having been duly circulated was taken as read and approved, following a proposal by Ms Van nie Kerk, seconded by Mr M Ncoangae. A quorum being present, the Chairman declared the meeting duly constituted.

4. APOLOGIES FOR NON ATTENDANCE

There were no apologies received.

5. ADOPTION OF THE AGENDA

The agenda was adopted as circulated following a proposal by Ms Van nie Kerk, seconded by Mr M Ncoangae.

6. CHAIRMAN'S OPENING REMARKS

The Chairman welcomed all present to the meeting and thanked them for their attendance.

7. CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING (AGM) HELD ON 5 JULY 2013

The minutes of the AGM held on 5 July 2013 having been duly circulated were taken as read. On a proposal by Ms Van nie Kerk, seconded by Mr S Senwelo, the minutes were adopted and approved as a true and correct record of the proceedings.

8. MATTERS ARISING FROM THE MINUTES OF THE ANNUAL GENERAL MEETING (AGM) HELD ON 5 JULY 2013

There were no matters arising from the minutes of the meeting held on 5 July 2013.

9. RECEIPT AND ADOPTION OF THE BOARD OF TRUSTEES REPORT TO THE MEMBERS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

The meeting was referred to the Report to the members for the year ended 30 June 2013, contained on page 11 of the 2012/2013 AGM Report. The Report had been circulated with the notice for the AGM, and was accordingly taken as read.

The Chairman asked the members if they had any comments or questions on the report. There being no comments or questions the report was noted and taken as read and adopted by the members.

It was RESOLVED that the Board of Trustees report to members for the year ended 30 June 2013 be and is hereby adopted on proposal by Ms Van nie Kerk and seconded by Mr S Hlope.

10. RECEIPT AND ADOPTION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2013

The members were referred to the Audited Financial Statements for the year ended 30 June 2013 on page 15 of the Report.

The Chairman asked the members if they had any comments or questions on the financial statements. There being no comments or questions the financial statements were adopted.

It was RESOLVED that the Financial Statements for the year ended 30 June 2013 be and are hereby adopted on proposal by Mr M Isaacs and seconded by Ms G Moagi.

11. APPOINTMENT OF EXTERNAL AUDITORS

PricewaterhouseCoopers (PwC) were appointed the external auditor of the Fund for the financial year 2012/2013 and to hold office from the conclusion of the AGM held on 5 July 2013 until conclusion of the next AGM. It was reported that the Auditors had been appointed to hold office until the next AGM.

It was RESOLVED that the re-appointment of the external auditors until the next AGM be and is hereby ratified on proposal by Ms Van nie Kerk, seconded by Mr M Ncoangae.

12. DATE OF NEXT MEETING

It was reported that the date of next meeting to be in November 2014, would be communicated to the members.

13. ANY OTHER BUSINESS

The Chairman asked the members if there was any other business they wished to discuss and there was no response from the members.

14. ADJOURNMENT

There being no other business to discuss, the Chairman declared the meeting closed at 08:45.

Verified and Signed by the Chairman on this _____ day of _____ 2014

Peter D. Stevenson

BOARD OF TRUSTEES REPORT TO THE MEMBERS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

1. INTRODUCTION

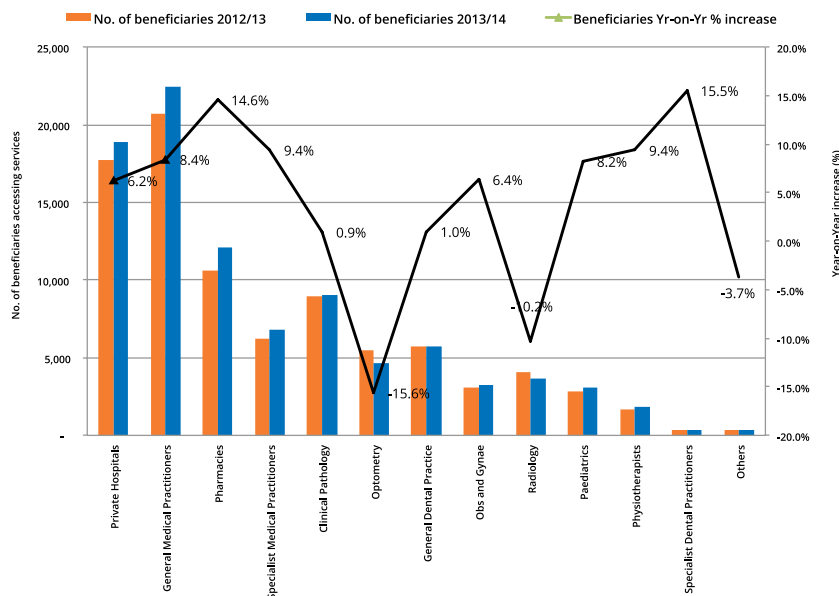
On behalf of the Board of Trustees (Board) I would like to present the 23rd Annual Report to the members. The report covers the operational and financial performance of the Fund as well as issues around healthcare access facilitation and service.

2. FACILITATING ACCESS TO PRIVATE HEALTH CARE SERVICES

The Fund continued to facilitate access to private health care services for its members and their beneficiaries, thus fulfilling its principal mandate and obligation to members and their beneficiaries. Membership grew by 3.6% to 17 540, whilst beneficiaries (members and their dependants) stood at 40 441 lives covered, as at June 2014. On average the Fund's beneficiaries accessed hospital services at a rate of 2.7 visits per average beneficiary per annum. Hospital services cost were P74.2m for the year under review, 9.8% above costs (P67.6m) for the prior year. At the same time the Fund beneficiaries consulted (visited) general medical practitioners (GP) at a rate of 2.1 consultations per average beneficiary per annum resulting in a payment of P22.1m during the year. The said pay-out was 22.4% above the P18.0m paid out in the previous year. Hospital visits were influenced by the fact that most members reside in the mining towns of Orapa and Jwaneng and hence access services through the mine hospitals, as well as the fact that some of the hospital consultation and procedures may include radiology and laboratory services.

Figure 1, below, shows the trend with respect to the Fund's facilitation of access to private healthcare services for its beneficiaries.

Figure 1: Analysis of beneficiary access to healthcare services



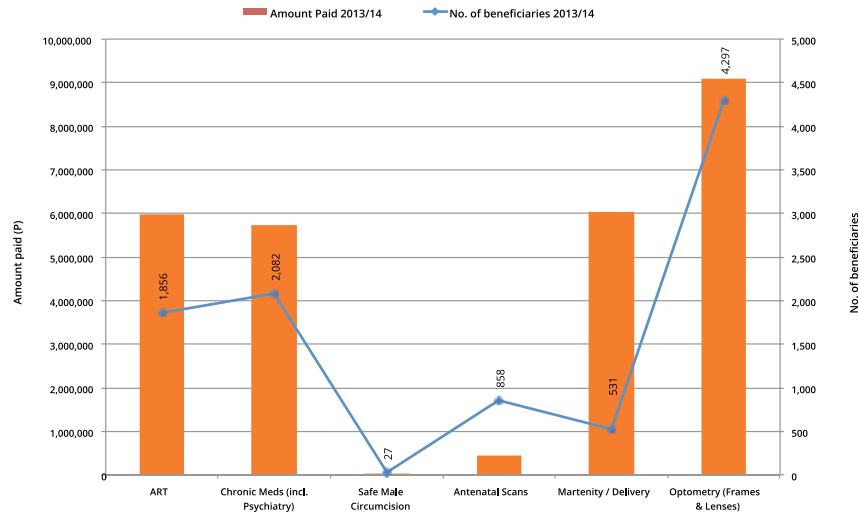
The number of beneficiaries facilitated access to hospital, general medical practitioner and pharmacy services increased by 6.2%, 8.4% and 14.6%, respectively, year-on-year.

The three (3) categories represented 65% of the Fund's claims costs for 2013/14. During the year there was a reduction in the use of optometry and radiology services of 15.6% and 10.2% respectively.

The former was due to the fact that most members had utilised their optometry benefits in the prior year whilst the latter was due to same services being provided as part of the hospital services as opposed to through stand-alone radiology facilities.

The figure below shows some of the results and achievements as a result of the Fund having facilitated access to private healthcare by its beneficiaries.

Figure 2: Achievements through healthcare access facilitation

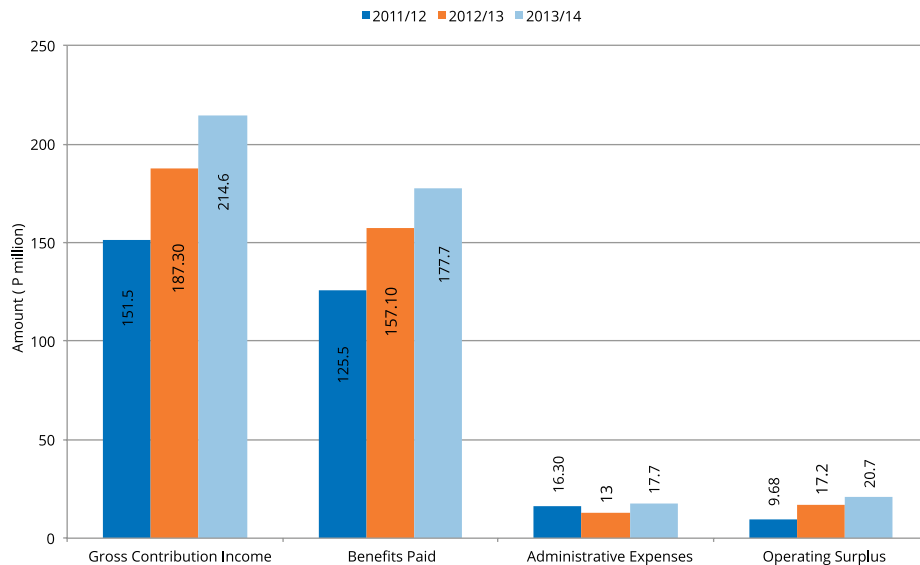


The Fund has assisted members and their beneficiaries defray cost of private healthcare services with 1 856 and 2 082 patients actively receiving antiretroviral therapy (ART) and non-ART chronic medicines, respectively. In the area of maternity care, mothers have been facilitated to receive antenatal care including 858 antenatal scans. Of the total deliveries of 531, 293 mothers delivered through Caesarean section and 238 through normal delivery. In support of the national health policy the Fund provides cover for Safe Male Circumcision (SMC) as an HIV preventive intervention. In this regard 27 SMCs were facilitated during the year under review compared with 53 SMCs in the previous year.

3. OVERVIEW OF THE FINANCIAL PERFORMANCE OF THE FUND

Figure 3: Overview of Financial Performance

The figure above shows that the Fund received gross contribution income of P214.6m, paid benefits of P177.7m and incurred administration expenses of P17.7m that resulted in a net surplus of P20.7m, after taking into account



other income.

Gross contribution income and benefits paid grew by 14.6% and 13.1%, respectively. The former was due to contribution increases effected 01 July 2013 and membership growth. The latter was due to service tariff increases effected during the year and increased benefit utilisation by beneficiaries and resulted in the claims ratio increasing from 79% to 80% .

The solvency margin increased from 8.37% to 16% as at June 2014, whilst total assets increased from P43.7m to P61.4m. The increased solvency margin resulted from increased in cash balances and the net surplus recorded.

4. OVERVIEW OF OPERATIONS

4.1. LEVERAGING INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

The Fund continues to leverage ICT and has developed facilities to enable electronic claims submission in order to improve service delivery to both members and service providers. The result has been shorter turnaround time and relatively query free claims payment for those service providers who have taken advantage of the functionality.

Members will be aware of the introduction of SMS communication post claims payment. The Board urges members to update their contact details (including mobile phone and e-mail) with the Fund to ensure that members are continually informed as and when payments are made by the Fund on their behalf and/or when any significant event occurs.

Once again members and service providers are requested to make use of the website facility to update their details, view claims payment, benefit balances, logging of queries, print statements and obtain useful information about the Fund. This can all be done at one's own convenience 24/7.

The Fund will be embarking on routine electronic customer surveys throughout the year in order to get feedback from members and service providers with a view to continually improving its operations and services. Consequently members and service providers are urged to timely respond to the subject questionnaires in order to assist the Fund improve services.

4.2. CLAIMS PROCESSING

The Fund processed and paid on average 26 701 claims per month, of which 16.9% were submitted electronically. The volume of claims submitted electronically is expected to increase significantly during the next financial year with our target having more than 80% of all claims submitted being submitted electronically in the near future.

5. OTHER MATTERS

5.1. RULES REVIEW

Members will be requested to consider and approve certain Fund Rule changes during the AGM, after which same would be implemented by 01 July 2015 and/or soon thereafter depending on the requirements for such implementation.

5.2. APPOINTMENT OF PRINCIPAL OFFICER (PO)

The Board of Directors have appointed a PO in line with the Fund Rules and in anticipation of the Regulator's requirements. The Non-Bank Financial Institutions Authority (NBFIRA), the Regulator, has indicated that it would be desirable for the medical aid organisations in Botswana to employ Principal Officers. The recruitment process is quite advanced and the PO would be appointed during 2014/15.

CONCLUSION

The Fund performed satisfactorily financially and operationally during the year under review and the Board anticipates a similar trend going into the future despite keen competition and increasing healthcare cost challenges.



**PULA MEDICAL AID FUND
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

PULA MEDICAL AID FUND

GENERAL INFORMATION

for the year ended 30 June 2014

BOARD OF TRUSTEES

Board of Trustees as at 30 June 2014 are as follows:

Peter D. Stevenson	-	Chairperson
Maleho Mothibatsela	-	Vice Chairperson
Thato Moumakwa	-	Independent Trustee
Batho Motubudi	-	Independent Trustee
Kungo Mabogo	-	Independent Trustee
Bakani Thipe	-	Employer Group Representative
Mukani Pelaelo	-	Employer Group Representative
Geoffrey Mahlaka	-	Representing Botswana Ash
Chandida Thembe	-	Representing Civil Aviation Authority of Botswana (CAAB)
Obakeng Moroka	-	Representing Debswana Diamond Company

ALTERNATES

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

ADMINISTRATORS

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

REGISTRATION

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

PRINCIPAL ACTIVITY

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

BUSINESS ADDRESS

P O Box 1212, Gaborone, Botswana.

GENERAL INFORMATION

for the year ended 30 June 2014

REGISTERED OFFICES

AFA House, Plot 61918, Showgrounds Office Park, Gaborone.

AUDITORS

PricewaterhouseCoopers

BANKERS

First National Bank Botswana Limited

BancABC

Bank Gaborone Limited

ASSET MANAGERS

African Alliance Botswana Management Company (Pty) Ltd

LAWYERS

Armstrongs- Attorneys, Notaries & Conveyancers

PULA MEDICAL AID FUND

ABRIDGED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014

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ABRIDGED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

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

The Board of Trustees acknowledges that it is ultimately responsible for the system of internal financial control established by the Fund and places considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees of the administrator company are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Board of Trustees is of the opinion, based on the information and explanations given by the administrators, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The going concern assumption has been applied, in the preparation of the financial statements. The Board of Trustees has no reason to believe that the Fund will not be a going concern in the foreseeable future based on forecasts and available cash resources.

BOARD OF TRUSTEES' APPROVAL OF THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

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

CHAIRPERSON

TRUSTEE



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

The abridged financial statements on pages 6 to 19 is an extract of the audited financial statements for the year ended 30 June 2014 and contains a summary of significant information, which the Board of Trustees believe are relevant and appropriate for the purpose of the Annual General Meeting of Pula Medical Aid Fund.

Our audit opinion issued in respect of the annual audited financial statements for the year ended

30 June 2014, which is unqualified has been included in the full set of the annual financial statements which is available on the Pula Medical Aid Fund's website.

PricewaterhouseCoopers Gaborone

Individual practicing member: A.S. Edirisinghe

Membership number: 20030048

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana

T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

Country Senior Partner: B D Phirie

Partners: R Binedell, R P De Silva, A S Edirisinghe

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2014

In Botswana Pula	Notes	2014	2013
Income from contributions		214,593,910	187,271,604
Benefits paid	2	(177,653,260)	(157,070,852)
Net contribution surplus		36,940,650	30,200,752
Other income		239,167	13,000
Administrative expenses	2	(17,739,295)	(12,985,163)
Operating surplus		19,440,522	17,228,589
Finance income	3	1,394,674	915,991
Finance costs	3	(175,262)	(1,258,391)
Net finance income / (costs)		1,219,412	(342,400)
Reversal of impairment loss on loan given to associate company	5	-	230,022
Surplus for the year		20,659,934	17,116,211
Other comprehensive income		-	-
Total comprehensive income for the year		20,659,934	17,116,211

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2014

In Botswana Pula	Notes	2014	2013
ASSETS			
Current assets			
Available-for-sale financial assets	6	75,036	15,449,924
Trade and other receivables	7	4,083,478	3,636,605
Cash and cash equivalents	8	57,192,410	24,573,891
Total assets		61,350,924	43,660,420
RESERVES AND LIABILITIES			
Reserves			
Accumulated surplus		36,335,933	15,675,999
Non-current liabilities			
Borrowings	9	-	22,575
Current liabilities			
Borrowings	9	-	9,006,021
Provision for outstanding claims	10	20,496,364	15,887,068
Trade and other payables	11	4,518,627	3,068,757
		25,014,991	27,961,846
Total reserves and liabilities		61,350,924	43,660,420

STATEMENT OF CHANGES IN RESERVES

for the year ended 30 June 2014

In Botswana Pula	Notes	Accumulated Surplus	Total Reserves
For the year ended 30 June 2013			
Balance as at 01 July 2012		(1,440,212)	(1,440,212)
Comprehensive income			
Surplus for the year		17,116,211	17,116,211
Total comprehensive income		<u>17,116,211</u>	<u>17,116,211</u>
Balance as at 30 June 2013		<u>15,675,999</u>	<u>15,675,999</u>
For the year ended 30 June 2014			
Balance as at 01 July 2013		15,675,999	15,675,999
Comprehensive income			
Surplus for the year		20,659,934	20,659,934
Total comprehensive income		<u>20,659,934</u>	<u>20,659,934</u>
Balance as at 30 June 2014		<u>36,335,933</u>	<u>36,335,933</u>

STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

In Botswana Pula	Notes	2014	2013
Cash flows from operating activities			
Cash receipts from members	12.1	215,190,228	189,241,893
Cash paid for claims and other benefits	12.2	(173,131,701)	(156,407,850)
Cash paid in respect of administrative expenses	12.3	(17,005,712)	(11,267,885)
Cash generated from operations		25,052,815	21,566,158
Interest paid	3	(175,262)	(1,258,391)
Net cash flows from operating activities		24,877,553	20,307,767
Cash flows from investing activities			
Interest received on bank call accounts	3	136,061	194,273
Interest received on other investments	3	1,258,613	721,718
Loan repayments received from associate	5	-	4,230,022
Investment in available-for-sale financial assets		-	(711,476)
Disposal of available-for-sale financial assets	6	15,374,888	-
Net cash flows from investing activities		16,769,562	4,434,537
Cash flows from financing activities			
Capital repayments of long term liabilities		(9,028,596)	(5,237,481)
Net cash flows from financing activities		(9,028,596)	(5,237,481)
Net change in cash and cash equivalents		32,618,519	19,504,823
Cash and cash equivalents at beginning of the year	8	24,573,891	5,069,068
Cash and cash equivalents at end of the year	8	57,192,410	24,573,891

PULA MEDICAL AID FUND

SIGNIFICANT ACCOUNTING POLICIES for the year ended 30 June 2014

GENERAL INFORMATION

Important Notice

For the comprehensive notes to the annual financial statements as well as the accounting policies, please refer to www.pulamed.co.bw

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements, which have been applied on a consistent basis with those of the previous year, are set out below.

1. BASIS OF PREPARATION

The abridged annual financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held at fair values through profit or loss.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

1.1 Financial assets

1.1.1 Classification

The Fund classifies its financial assets in the following categories: at fair value through profit or loss (comprehensive income statement), loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a. Financial assets at fair value through profit or loss (comprehensive income statement)

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Fund's loans and receivables comprise 'loans and advances', 'trade receivables', 'other receivables' and Cash at bank and cash equivalents in the statement of financial position (Notes 5, 7 and 8).

c. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

1.1.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through statement of comprehensive income. Financial assets carried at fair value through statement of comprehensive income are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through statement of comprehensive income are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'investment income' in the period in which they arise. Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in statement of changes in reserves.

1.1.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.2 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. The impairments of financial assets are done in accordance with financial assets recognition and measurement criteria.

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.

1.3 Revenue recognition

1.3.1 Income from contributions

The Fund obtains monthly contributions from its members. These contributions are recognised in the statement of comprehensive income on an accrual basis. The premiums include adjustments to premiums from backdated termination and registrations.

1.3.2 Investment income

Investment income comprises interest receivable on funds invested, realised investment value and dividend income from investments. Interest income is recognised in the statement of comprehensive income, using the effective interest rate method, and taking into account the expected timing and amount of cash flows. Interest income includes the amortisation of any discounts or premiums or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on an effective interest rate method. Dividend income is recognised in the statement of comprehensive income when the right to receive payment is established. The accumulated fair value adjustments of available-for-sale investments are included in the income statement as gains and losses from investment securities, at the time of disposal.

1.4 Claims incurred

Claims incurred consist of claims paid during the financial year together with the movement in the provision for outstanding claims.

The provision for outstanding claims comprises the Fund's estimate of the cost of settling all claims incurred but unpaid at the reporting date.

Whilst the Trustees consider that gross provisions for claims are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used to value these provisions, and the estimates made, are reviewed regularly.

1.5 Current income tax

The normal Botswana taxation provision has not been made as the Fund is registered under a Notarial Deed of Trust and according to part 1, paragraph (v) of the second schedule of the Income Tax Act, 1995, the Trust is exempt from income tax.

1.6 Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction cost) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

1.7 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provision is made for estimated outstanding claims incurred during the financial year, which are payable in the succeeding financial year.

1.8 Associates

Associates are all entities over which the Fund has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in statement of changes in reserves is reclassified to statement of comprehensive income where appropriate.

The Fund's share of post-acquisition profit or loss is recognised in the statement of changes in reserves, and its share of post-acquisition movements in reserves is recognised in statement of changes in reserves with a corresponding adjustment to the carrying amount of the investment. When the Fund's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Fund does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Fund determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Fund calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Fund and its associate are recognised in the Fund's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Fund. Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

for the year ended 30 June 2014

In Botswana Pula	2014	2013
2 Analysis of expenses by nature		
Claims and other member benefits paid	177,653,260	157,070,852
Actuarial consultancy fees	1,036,963	596,918
Administration fees	13,746,928	12,237,466
Audit fees	232,362	137,897
Consultancy fees	191,128	10,248
Fidelity insurance	98,900	76,500
Other administrative expenses	784,605	538,446
Promotions and advertising	1,274,871	761,918
Provision for impairment of debtors	(425,000)	(1,730,819)
Trustees' fees	798,538	356,589
Total administrative expenses	17,739,295	12,985,163
Total expenses	195,392,555	170,056,015
3 Finance income and costs		
Finance income		
Interest income on available-for-sale financial assets	1,258,613	721,718
Interest income on short-term bank deposits	136,061	194,273
	1,394,674	915,991
Finance costs		
Interest expense on bank borrowings	(175,262)	(1,258,391)
Net finance income / (costs)	1,219,412	(342,400)
4 Income tax		

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

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
for the year ended 30 June 2014

In Botswana Pula	2014	2013
5 Loans and advances		
Balance at beginning of the year	-	4,000,000
Reversal of impairment loss	-	230,022
Repayments during the year	-	(4,230,022)
Balance at end of the year	-	-

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

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

Based on commitments made by the sequestrators, the estimated recoverable amount of P 4,000,000 was recognised during 2012 and a further P 230,022 recognised during 2013 based on the final settlement received during the year.

6 Available-for-sale financial assets

Balance at beginning of the year	15,449,924	14,738,448
Disposals	(15,374,888)	-
Interests reinvested-African Alliance Liquidity Fund	-	711,476
Balance at end of the year	75,036	15,449,924

The investments are made up as follows:

African Alliance Liquidity Fund	75,036	15,449,924
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The carrying value of available-for-sale financial assets at the reporting date represents their fair value and represents investment in money market funds that earn market related interest.

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

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

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
for the year ended 30 June 2014

In Botswana Pula	2014	2013
7 Trade and other receivables		
Contributions receivable	3,964,795	4,561,113
Less: Provision for impairment	(567,568)	(992,568)
	3,397,227	3,568,545
Prepayments	6,375	6,375
Sundry receivables	679,876	61,685
	4,083,478	3,636,605
<p>Contribution debtors are stated at amortised cost less provision for impairment. The impairment loss represents the Board of Trustees' best estimate of the contributions raised and not likely to be recovered.</p> <p><i>Movement of the provision for impairment of trade receivables are as follows;</i></p>		
Balance at beginning of the year	992,568	2,723,387
Provision for impairment	(425,000)	(1,730,819)
Balance at end of the year	567,568	992,568
<p><i>The ageing of the impaired receivables is as follows:</i></p>		
61-90 days	382,812	606,833
More than 90 days	184,756	385,735
	567,568	992,568
<p><i>The fair value of trade and other receivables are as follows:</i></p>		
Trade receivables	3,397,227	3,568,545
Sundry receivables	679,876	61,685
	4,077,103	3,630,230
8 Cash and cash equivalents		
Cash at bank	57,223,623	24,678,846
Bank overdraft	(31,213)	(104,955)
	57,192,410	24,573,891

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

The overdraft reflected as of the reporting date represents a temporary book balance which arose pending the transfer of funds from the Fund's call account under its standing sweeping facility with the bank.

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

for the year ended 30 June 2014

8 Cash and cash equivalents (continued)

In Botswana Pula	2014	2013
<i>For the purpose of statement of cash flows, cash and cash equivalents comprise of:</i>		
Cash at bank	57,223,623	24,678,846
Bank overdraft	(31,213)	(104,955)
	57,192,410	24,573,891

9 Borrowings

Borrowings falling due after 1 year

Bank borrowings	-	22,575
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Borrowings falling due within 1 year

Bank borrowings	-	9,006,021
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Total borrowings

	-	9,028,596
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Bank borrowings relate to an unsecured loan of P 16,000,000 obtained from First National Bank of Botswana Limited and is repayable in 120 instalments commencing January 2011.

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

10 Provision for outstanding claims

Balance at beginning of the year	15,887,068	13,603,354
Increase in claims provision	4,609,296	2,283,714
Balance at end of the year	20,496,364	15,887,068

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

The following are key assumptions used in the computation of claims which were incurred but not reported (IBNR) as at 30 June 2014.

Membership growth	-	Standard option 5% per annum and De-luxe option 6% per annum
Inflation rate	-	8% per annum
Investment return	-	0.3% per month
Assumed bad debts	-	0.5% per annum
Contribution increase	-	5% per annum

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

for the year ended 30 June 2014

In Botswana Pula	2014	2013
11 Trade and other payables		
Creditor for claims	-	87,737
Administration fees payable	1,832,438	1,538,286
Other accounts payables	2,686,189	1,442,734
	4,518,627	3,068,757

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

The fair values of accounts payable balances approximate their carrying amounts due to their short term nature.

12 Notes to the statement of cash flows		2014	2013
12.1 Cash receipts from members			
Opening contribution receivables	(Note 7)	4,561,113	6,531,402
Contributions for the year		214,593,910	187,271,604
Closing contribution receivables	(Note 7)	(3,964,795)	(4,561,113)
		215,190,228	189,241,893
12.2 Cash paid for claims			
Opening creditor for claims	(Note 11)	(87,737)	(1,708,449)
Claims expense		(166,548,542)	(148,750,432)
Other member benefits		(6,495,422)	(6,036,706)
Closing creditor for claims	(Note 11)	-	87,737
		(173,131,701)	(156,407,850)
12.3 Cash paid in respect of administration expenses			
Opening accounts payable	(Note 11)	(2,981,020)	(2,324,151)
Opening other receivables	(Note 7)	68,060	2,846,288
Administration expenses	(Note 2)	(17,739,295)	(12,985,163)
Other operating income		239,167	13,000
Decrease in debtors provision	(Note 2)	(425,000)	(1,730,819)
Closing other receivables	(Note 7)	(686,251)	(68,060)
Closing accounts payable	(Note 11)	4,518,627	2,981,020
		(17,005,712)	(11,267,885)





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