

Annual Report

2010

Long-term cultivation,
Shaping the Society.



BOM *aid*

BOTSWANA MEDICAL AID SOCIETY

The medical aid you can trust

About us

Botswana Medical Aid Society (**BOMaid**) was established in 1969 by a consortium which drew its initial membership from audit firms, parastatals and banking organisations in Botswana.

The Society is a member-based medical aid scheme, self-administered through an elected Board of Management drawn from amongst its constituent members companies.

BOMaid is a member of the Board of Healthcare Funders (BHF), a representative body for medical aid schemes within Southern Africa.

Our Vision

To be the medical aid of choice

Our Mission

To provide competitive and diverse health care funding through innovation and service excellence

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Some of the invited guests in discussion at the 40th Anniversary celebration



Mr D. Felapau with Mr D. Alexander



Dr Mompoti, Mr & Mrs Ibrahim at the 40th Anniversary celebration in Francistown



Invited guests at the General Membership Forum at Cresta Lodge - Gaborone



Board Members



Steven Bogatsu

Chairman -
Finance, Audit and
Risk Management
Committee

Macie K Molebatsi
Member



Sheila Sealetsa
Chairman -
Appeals and Service
Quality Committee



Felicia Sebeela
Chairman -
Human Resources
and Compensation
Committee



Abel Bogatsu
Board
Chairman

Dennis J Alexander
Chief Executive Officer



Board Members



Rebecca Mgadla
Member



Bangwato Sikwa
Member



Jane M Monyake
Member



Gratian Rutta
Member

Senior Management



Biya Debele
Finance Manager



Constance Matabiswana
Operations Manager

Chairman's Report



“ We believe that the experience gained throughout the years of operation by the Society and other industry players will be pivotal in shaping a relevant regulatory framework for the medical aid industry in Botswana. ”

Abel Bogatsu
Chairman

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I am pleased to present my report for the year ended 31 December 2010 to the members and other stakeholders of Botswana Medical Aid Society. We were delighted this year to have welcomed Dr Bangwato Sikwa and Dr Gratian Rutta who were elected into the Board of Management on 30 June 2010. In the year just ended we have already witnessed their professional input and have no doubt that their experience will prove very valuable in shaping the future of the Society.

Equally all other members of the Board have contributed their time unconditionally during the past year as is evidenced by the path we have set out for ourselves going into the future.

The Economic and market environment

Whilst the economy showed signs of recovery during the year, businesses remained cautious about increasing employment levels in 2010 with others downsizing in the face of possible after-shocks to the economy. This resulted in stagnation of market size of the medical aid industry at a time when the level of competitiveness amongst providers of medical insurance was growing. Industry

players at the end of 2010 were seven, up from four in 2009. Further to that we have seen some of our constituent member organisations opening up their schemes to competition. Nevertheless the Society has been able to record a membership growth of 10.5% and maintained its position as the largest private medical aid Fund in terms of market share.

I am happy to report that the group ended the year with a total comprehensive income of P13.2million. Our core business unit as in the Society posted a surplus of P9.0million for the year with total assets growing by 5.4% to P252million. The Society's reserves of P226million also represent a strong claims cover ratio of 12 months.

I would like to implore our valued members to utilise their benefits prudently in order to safeguard the Society's Fund. This, together with other measures put in place by the Board and Management will ensure growth in reserves and therefore long term sustainability of the Fund putting the Society in a position to absorb shocks as both the economic and regulatory environment change.

Regulatory environment

The Non Bank Financial Regulatory Authority (NBFIRA) has commenced consultations with the medical aid industry in its preparations to regulate it. We regard this development to be a positive move and the Society in collaboration

with other industry players supports NBFIRA and other regulatory bodies in this endeavour. We believe that the Society's practices are well positioned to comply with regulatory initiatives that may be introduced into the industry.

We note as is mostly the case with regulation, that there will be additional operational costs associated with regulatory compliance. The Society recognises the consultative approach that NBFIRA is taking and will use the opportunity to contribute towards the setting up of an affordable compliance cost structure. We believe that the experience gained throughout the years of operation by the Society and other industry players will be pivotal in shaping a relevant regulatory framework for the medical aid industry in Botswana.

Society Re-Organisation

Whilst we have done well in the last 40 years, it had become important in 2010 to re-look the future of the Society in view of the economic, legal and regulatory challenges and opportunities dawning in our industry. It has become apparent that the industry landscape will change substantially in the future and therefore it is important that as a Society we examine our readiness and future relevance as a major player and to protect our reputation as *"The medical aid you can trust"*.

The Board and Management with the assistance of various consultants has concluded a review and redesign of the organisational structure of the Society. We believe that the new structure and the strategy that underpins it will allow the Society the flexibility and agility to adapt to current and emerging business opportunities and challenges.

Corporate Social Responsibility

The Society continues to be engaged in issues of national importance such as

economic development, support professional development in industry discipline and national HIV/AIDS programs. During the year we supported the 2010 Local Enterprise Authority SMME Conference and Fair, the Pharmaceuticals Association of Botswana, the Southern African HIV clinicians Society(SAHIV) conference and the National HIV/AIDS/STI and Other Related Infectious Diseases Research Conference (NHASORC).

Acknowledgements

I would like to take this opportunity to thank my fellow Board members for their continued good service to the Society and also express my sincere gratitude to the members of the Society. The loyalty of our members, especially during periods of intense competition is a demonstration of a firm believe in the Society and its future.

Finally I would like to congratulate Management and staff on ensuring the achievements that we recorded in the year and also express my profound gratitude for their sincere commitment and dedication in delivering good service to our members.



Abel Bogatsu
Chairman

Corporate Governance



Botswana Medical Aid Society subscribes to the pillars of corporate governance. Furthermore the Board takes responsibility for ensuring that the financial statements are prepared and presented in accordance with International Financial Reporting Standards, the rules of the Society and the Societies Act of Botswana.

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The Board

The Board comprises eleven members, ten of whom are elected from representatives of Constituent bodies and one Ex Officio Board member, being the Chief Executive Officer who is appointed by the Board. The ten elected Board members serve for a maximum of two periods of three years each. A Chairman is elected from the ten members and serves in that position on a year on year basis.

Committees

The Board is assisted by three Committees made up of various members of the Board. The Committees are:-

1. Finance, Audit and Risk Management Committee
2. Appeals and Service Quality Committee
3. Human Resources and Compensation Committee



Board Attendance Register

NAME	2010				2011			
	13/07	03/09	09/11	07/12	25/01	18/02	24/02	06/06
A A Bogatsu	P	P	P	P	P	P	P	P
D J Alexander	P	P	P	P	P	P	P	P
S M Sealetsa	P	A	A	P	P	A	A	P
F Sebeela	A	A	A	P	A	P	P	P
R M Mgadla	A	P	A	P	A	P	P	A
S Bogatsu	P	P	A	P	P	P	P	P
M K Molebatsi	P	P	A	P	P	A	A	A
J M Monyake	A	A	P	A	P	A	A	P
G Rutta	A	P	P	P	P	P	P	P
B K Sikwa	P	P	P	P	P	P	A	P

P - Present

A - Absent/Apology

Committees Attendance Register

NAME	APPEALS		HR & COMPENSATION				FINANCE	
	2010	2011	2011				2011	
	28/10	06/06	06/01	12/01	09/02	17/02	18/02	31/05
A A Bogatsu	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
D J Alexander	P	P	P	P	P	P	P	P
S M Sealetsa	P	P	N/A	N/A	N/A	N/A	A	P
F Sebeela	A	P	P	P	P	P	N/A	N/A
R M Mgadla	N/A	N/A	P	P	P	P	P	P
S Bogatsu	N/A	N/A	N/A	N/A	N/A	N/A	P	P
M K Molebatsi	P	A	P	P	P	P	N/A	N/A
J M Monyake	N/A	N/A	A	A	A	P	A	A
G Rutta	P	P	N/A	N/A	N/A	N/A	P	P
B K Sikwa	A	P	A	A	A	A	N/A	N/A

P - Present

A - Absent/Apology

N/A - Not Applicable/Member not in Committee

Chief Executive Officer's Report



“During the period under review, we continued to experience pressure on our claims payout with the year reflecting a total of P229.5mIn or an increase of 17.6% over the 2009 payout of P195.2mIn.”

Dennis J Alexander
Chief Executive Officer

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1. General overview

It is indeed a privilege for me to once more present to you, the membership, my report around the operations and performance of the Society for the year 2010.

Having come out of the challenges of the previous period which was marked by the world economic downturn, one can only remind ourselves of the words by the chairman when he delivered his remarks at our last Annual General Meeting. He noted that *“it is upon us to ensure that having stood our ground, we now grow the Society to its full potential for the benefit of all the stakeholders.”*

The year 2010 challenged Management and the Board to prepare and position the Society in ensuring its long term relevance in the space it was operating. We were in the last year of our 2005 – 2010 strategy period and had to prepare ourselves to craft and launch the next five year strategy which would see the Society continue to lead the pack in delivering benefits to its members. We highlight hereunder some of the operational climate developments that was to affect our strategic goals.

1.1 Currency depreciation of the Pula against the South African Rand

Over the period from January 2010, the Pula had depreciated by 4.9% against the South African Rand. With quite a significant portion of our claims paid to South African based service providers, as well as most of our medicines coming from South Africa, we expected to see an increase in drug and hospital costs over the short to medium term.

1.2 Government decision on civil servant salaries

It soon became evident that with the government having taken the decision not to adjust civil servant salaries for the second consecutive year and with the private sector possibly about to follow the same position, there existed the risk of a tighter squeeze in the size of disposable income in the economy; a phenomena which could easily put greater pressure on members' ability to continue to subscribe to medical aid.

1.3 Value added tax

VAT was increased from 10% to 12% effective 1st April 2010. This was to have had an increase effect in our claims payout on those benefits where we pick VAT cost on behalf of our members as well as a direct increase in our operating costs.

2.0 The Group performance

The year ended with the Group reflecting a strong and healthy position. The total revenue for the year was P275mIn with total assets growing by 4% to P259.9mIn. Funds and reserves grew from P219.8mIn at the end of the previous period to P230mIn by the end of 2010.

Our subsidiary MRI Botswana Limited showed the effects of the turn around strategy which was implemented during the period by ending the year with a profit after tax of P1.2mIn against the deficit of P0.8mIn in the previous period.

3.0 The Society

Despite the general pressure that was put on the operations of the Society as a result of the previously mentioned operational developments, the Society was still able to perform. Membership grew by 10.5% year on year with 31,378 principal members covering 70,388 lives. This growth, coupled with the subscription adjustments implemented at the beginning of the year reflected a total revenue of P258.8mIn. Compared to the same period last year, total subscription income is up by P34.3mIn or 15.2%.

During the period under review, we continued to experience pressure on our claims payout with the year reflecting a total of P229.5mIn or an increase of 17.6% over the 2009 payout of P195.2mIn.

In patient claims as in hospital costs accounted for 31.7% of total payouts and is attributable to the following:

- High value claims increased by 44.9% as we experienced an increase in the number of cancer cases.
- The coming on stream of the Bokamoso and River Side private hospitals increased accessibility.

Out patient claims on the other hand amounting to P95mIn accounted for 41.4% of the total payout.

Our Managed Care program continues to grow and now incorporates both the Wellness and the Chronic Ailment programmes. As at the end of 2010 we reflect a total of 11,122 members on this program. With administration costs amounting to P30.6mIn or 11.8% of subscription income and net other income (from investment) of P10.9mIn, we end the year with a surplus of P9.0mIn for the Society.

The Society's investment portfolio closed the year at P192.6mIn and continued to post a healthy financial position with total assets of P252mIn, a growth of 6% over the previous period.

4.0 Other key developments in 2010

As already indicated in the Chairman's report, the one single event was the engagement of consultants to assist and advise on the legal and operational structure of the Society in an endeavour to take value and remain relevant in the market we operate. To this end we have adopted a model going forward with the first phase looking at and implementing a changed organisational structure. The unpacking of this process commenced during the last quarter of 2010 and is expected to be completed in the first half of 2011.

In the year we continued to implement our electronic processes which have resulted in over 95% of our claims from hospitals coming in with very little manual intervention. We have also been working on similar processes for our laboratory submissions and will continue with the aim of having the majority of submissions from all service providers submitting electronically. The final stage in this process will be the electronic submission of subscriptions as well as payments to members.

Chief Executive Officer's Report (cont.)

5.0 Human resource

In the plight to achieve and as we continue to strive to attain greater heights, we must ensure that we acknowledge, build and cherish our greatest asset – our staff. The Society is proud of the team it has built over the years and continuously endeavours to maintain a professional and committed relationship with staff. Furthermore we are committed to upgrade the skills of our manpower and through our performance management processes we seek to further uplift our organisational efficiencies and standards of our staff.

6.0 Conclusion

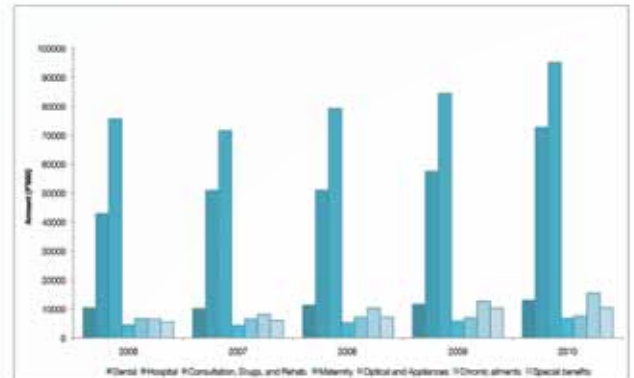
Let me conclude by thanking you, the membership, for your continuous confidence and support of the Fund. Forty years later we have stood the test of time and should attribute that to your support and trust.

To my Board, thank you for your guidance and support and of course my team – without you we would not be where we are today. We look forward to an even more challenging 2011.

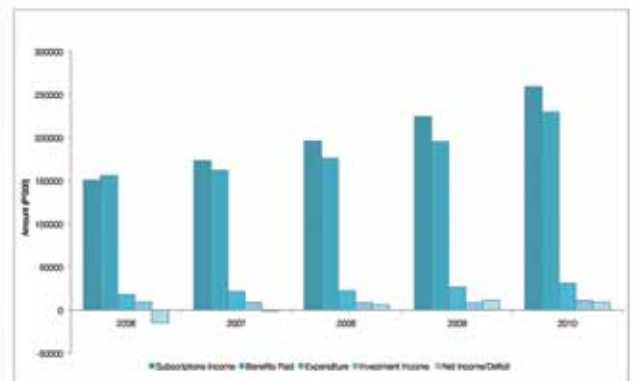


Dennis J Alexander
Chief Executive Officer

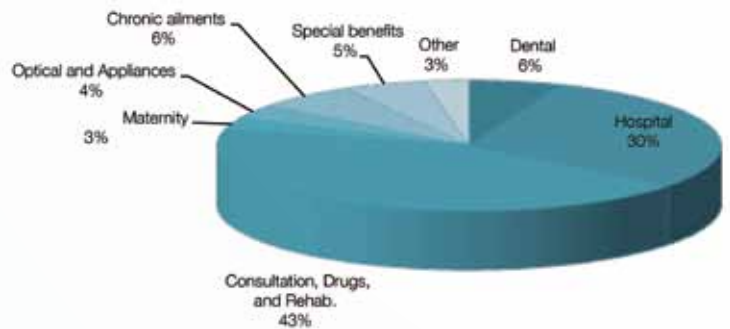
Major Benefits Five Year Trend



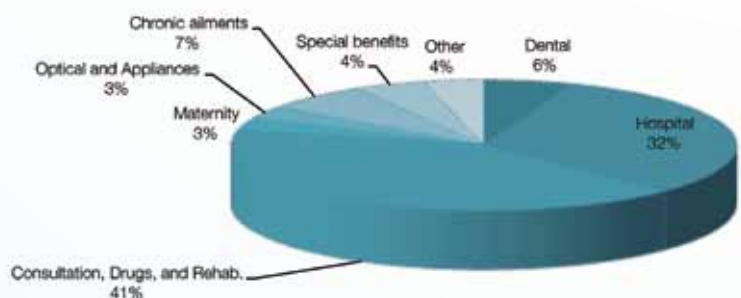
Income Statement Five Year Trend



2009 Benefits Paid Analysis



2010 Benefits Paid Analysis



General Information

BOARD OF MANAGEMENT

A A Bogatsu	(Chairperson)
S Bogatsu	(Vice Chairperson)
A Modimo	(Retired 30 June 2010)
D J Alexander	
S M Sealetsa	
F Sebeela	
R M Mgadla	
M K Molebatsi	
J M Monyake	
G Rutta	(Appointed 30 June 2010)
B K Sikwa	(Appointed 30 June 2010)

CHIEF EXECUTIVE OFFICER

D J Alexander

SECRETARY

B Debele

PRINCIPAL ACTIVITY

The society raises funds from and grants assistance to its members and their dependants to defray medical expenses.

BUSINESS ADDRESS

Plot 50638, Fairgrounds Office Park, Gaborone

AUDITORS

KPMG
Plot 67977
Fairgrounds Office Park
Off Tlokweng Road
Gaborone

BANKERS

Standard Chartered Bank Botswana Limited
First National Bank of Botswana Limited
Barclays Bank of Botswana Limited
Stanbic Bank of Botswana Limited

SUBSEQUENT EVENTS

The board members are not aware of any matter or circumstance arising since the end of the financial year, not dealt with in this report or financial statements which would significantly affect the operations or the results of operations of the Society or Group.



Mr S. Bogatsu (Bomaid Vice Chairman)
at the 40th Anniversary
celebration in Francistown



Mr O. Ramasedi and Ms R. Vaka at the
Corporate Breakfast - Cresta Lodge



Ms S. Sealetsa giving a keynote speech
at the 40th Anniversary celebration

Board's responsibility statement

for the year ended 31 December 2010

The Board is responsible for the preparation and fair presentation of the group annual financial statements, comprising the statements of financial position at 31 December 2010, 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 notes, in accordance with International Financial Reporting Standards, the Society Rules and the Societies Act of Botswana.

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

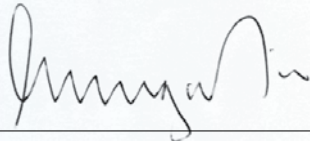
The Board's responsibility also includes maintaining adequate accounting records and an effective system of risk management.

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

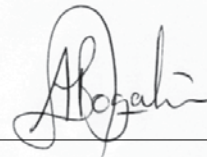
The auditor is responsible for reporting on whether the group annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements:

The group annual financial statements were approved by the Board on 06 June 2011 and signed on their behalf by:



S BOGATSU
Finance, Audit And Risk Committee
Chairman



A BOGATSU
Board Chairperson



D J ALEXANDER
Chief Executive Officer



Audit
Plot 67977, Off Tlokweng Road,
Fairground Park
P O Box 1519, Gaborone, Botswana

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

Independent auditor's report to the members of Botswana Medical Aid Society

We have audited the group and society financial statements of Botswana Medical Aid Society, set out on pages 14 to 52, which comprise the statements of financial position at 31 December 2010, 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 notes.

Board's Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the Society Rules and the Societies Act of Botswana. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the group'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 group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Botswana Medical Aid Society and the group at 31 December 2010, and of the society's and group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Society Rules and the Societies Act of Botswana.

Certified Public Accountants
Practicing Member: Francois Roos (20010078: 45)

Gaborone
06 June 2011

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

AG Devlin* NP Dixon-Warren FJ Roos**
*British **South African
VAT Number: P03623901112

Statements of comprehensive income

for the year ended 31 December 2010 (in Pula)

Notes	Group		Society	
	2010	2009 Restated	2010	2009
Revenue	275 125 025	237 231 121	258 801 955	224 472 065
Cost of services				
Benefits paid				
- Dental	12 978 953	11 624 020	12 978 953	11 624 020
- Hospital	72 692 703	57 452 858	72 692 703	57 452 858
- Consultation, drugs and rehabilitation	95 035 748	84 365 125	95 035 748	84 365 125
- Maternity	6 736 556	5 735 948	6 736 556	5 735 948
- Optical and appliances	7 529 714	6 890 714	7 529 714	6 890 714
- Funeral	507 750	427 500	507 750	427 500
- Medical Rescue International	-	-	5 159 980	4 739 551
- Chronic ailments	15 404 798	12 652 359	15 404 798	12 652 359
- Special benefits	10 375 918	10 215 427	10 375 918	10 215 427
- Wellness Project costs	3 079 174	693 081	3 079 174	693 081
- Legal expenses	41 400	400 942	41 400	400 942
Direct costs	14 233 889	11 580 189	-	-
	<u>238 616 603</u>	<u>202 038 163</u>	<u>229 542 694</u>	<u>195 197 525</u>
Contribution surplus	36 508 422	35 192 958	29 259 261	29 274 540
Other income	17 521	179 513	-	-
Expenditure				
Depreciation	1 815 514	1 842 697	588 983	760 675
Administration expenses	36 866 696	32 228 957	30 652 458	25 631 743
	<u>38 682 210</u>	<u>34 071 654</u>	<u>31 241 441</u>	<u>26 392 418</u>
Operating (deficit)/surplus	(2 156 267)	1 300 817	(1 982 180)	2 882 122
Interest received	5 708 780	5 858 197	5 159 719	4 824 158
Interest paid	(65 244)	(81 558)	-	-
Dividend and other income	3 038 174	3 499 232	5 833 459	3 499 232
	<u>8 681 710</u>	<u>9 275 871</u>	<u>10 993 178</u>	<u>8 323 390</u>
Surplus before taxation	6 525 443	10 576 688	9 010 998	11 205 512
Taxation	276 140	(83 502)	-	-
Surplus for the year	<u>6 801 583</u>	<u>10 493 186</u>	<u>9 010 998</u>	<u>11 205 512</u>
Attributable to:				
Minority interest	511 699	(412 329)	-	-
Members of the Society	6 289 884	10 905 515	9 010 998	11 205 512
	<u>6 801 583</u>	<u>10 493 186</u>	<u>9 010 998</u>	<u>11 205 512</u>

Statements of comprehensive income

for the year ended 31 December 2010 (in Pula) (Cont.)

	Group		Society	
	2010	2009 Restated	2010	2009
Total comprehensive income				
Surplus for the year	6 801 583	10 493 186	9 010 998	11 205 512
Other comprehensive income				
Net current year revaluation of property and listed investments	6 405 831	13 060 825	6 405 831	13 060 825
Low claims reserve payments during the year	(17 479)	(10 886)	(17 479)	(10 886)
Total comprehensive income for the year	<u>13 189 935</u>	<u>23 543 125</u>	<u>15 399 350</u>	<u>24 255 451</u>

Statements of financial position

at 31 December 2010 (in Pula)

Assets	Notes	2010	Group 2009 Restated	2008 Restated
Non-current assets				
Property, plant and equipment	6	34 444 314	19 836 043	20 903 361
Goodwill	7	371 093	371 093	371 093
Available for sale investments	9	130 896 935	139 805 744	126 744 918
Deferred taxation		-	-	59 491
		<u>165 712 342</u>	<u>160 012 880</u>	<u>148 078 863</u>
Current assets				
Inventories	11	1 299 936	897 353	605 755
Trade receivables	12	10 507 244	7 822 478	8 028 566
Other receivables	13	2 042 840	579 945	1 001 060
Short term investments	14	49 595 213	44 908 359	40 811 534
Cash and cash equivalents	20	30 388 603	37 137 448	27 963 443
Taxation refundable		317 145	446 339	23 637
		<u>94 150 981</u>	<u>91 791 922</u>	<u>78 433 995</u>
Total assets		<u>259 863 323</u>	<u>251 804 802</u>	<u>226 512 858</u>
Equity				
Funds and reserves				
Accumulated funds		102 844 583	96 555 987	85 646 819
Minority interest		7 338 049	9 712 029	10 393 530
Low claims reserve		497 522	515 001	525 887
Revaluation reserve	15	119 455 713	113 049 882	99 989 057
		<u>230 135 867</u>	<u>219 832 899</u>	<u>196 555 293</u>
Non-current liabilities				
Finance lease obligations	16	245 224	327 162	293 288
Deferred taxation	10	1 400 669	1 268 913	1 187 480
		<u>1 645 893</u>	<u>1 596 075</u>	<u>1 480 768</u>
Current liabilities				
Deferred rental liability	17	5 310	3 627	3 627
Trade and other payables	18	12 060 417	10 956 177	7 224 083
Subscriptions received in advance	19	899 010	1 266 060	918 801
Outstanding cheques for claims	20	5 915 766	6 134 468	5 739 160
Provision for outstanding claims	21	8 954 187	11 749 938	14 450 431
Current portion of finance lease obligations	16	246 873	265 558	140 695
		<u>28 081 563</u>	<u>30 375 828</u>	<u>28 476 797</u>
Total equity and liabilities		<u>259 863 323</u>	<u>251 804 802</u>	<u>226 512 858</u>

Statements of financial position

at 31 December 2010 (in Pula) (Cont.)

Assets	Notes	Society	
		2010	2009
Non-current assets			
Property, plant and equipment	6	24 809 729	9 812 315
Investment in subsidiary	8	12 090 334	12 043 800
Available for sale investments	9	<u>130 896 935</u>	<u>139 805 744</u>
		<u>167 796 998</u>	<u>161 661 859</u>
Current assets			
Inventories	11	1 233 261	789 340
Trade receivables	12	8 103 613	5 174 828
Other receivables	13	2 042 840	579 945
Short term investments	14	49 595 213	44 908 359
Cash and cash equivalents	20	<u>23 234 519</u>	<u>25 631 424</u>
		<u>84 209 446</u>	<u>77 083 896</u>
Total assets		<u>252 006 444</u>	<u>238 745 755</u>
Equity			
Funds and reserves			
Accumulated funds		106 128 333	97 117 335
Low claims reserve		497 522	515 001
Revaluation reserve	15	<u>119 455 713</u>	<u>113 049 882</u>
		<u>226 081 568</u>	<u>210 682 218</u>
Current liabilities			
Trade and other payables	18	10 155 913	8 913 071
Subscriptions received in advance	19	899 010	1 266 060
Outstanding cheques for claims	20	5 915 766	6 134 468
Provision for outstanding claims	21	<u>8 954 187</u>	<u>11 749 938</u>
		<u>25 924 876</u>	<u>28 063 537</u>
Total equity and liabilities		<u>252 006 444</u>	<u>238 745 755</u>

Statements of changes in equity

for the year ended 31 December 2010 (in Pula)

GROUP (Restated)

	Accumulated funds	Low claims reserve	Revaluation reserve	Total funds attributable to members
Balance at 01 January 2009	85 646 819	525 887	99 989 057	186 161 763
Accumulated funds of subsidiary at the date of proportionate acquisition	-	-	-	-
Current year loss eliminated against the cost of the proportionate cost of investment	3 653	-	-	3 653
Surplus for the year	10 905 515	-	-	10 905 515
Payments during the year	-	(10 886)	-	(10 886)
Net current year revaluation	-	-	13 060 825	13 060 825
Balance at 31 December 2009	96 555 987	515 001	113 049 882	210 120 870
Accumulated funds of subsidiary at the date of proportionate acquisition	-	-	-	-
Current year profit eliminated against the cost of the proportionate cost of investment	(1 288)	-	-	(1 288)
Surplus for the year	6 289 884	-	-	6 289 884
Payments during the year	-	(17 479)	-	(17 479)
Net current year revaluation	-	-	6 405 831	6 405 831
Dividends declared	-	-	-	-
Balance at 31 December 2010	<u>102 844 583</u>	<u>497 522</u>	<u>119 455 713</u>	<u>222 797 818</u>

Statements of changes in equity

for the year ended 31 December 2010 (in Pula) (Cont.)

Minority interest	Total
10 393 530	196 555 293
(269 172)	(269 172)
-	3 653
(412 329)	10 493 186
-	(10 886)
<u>-</u>	<u>13 060 825</u>
9 712 029	219 832 899
(24 500)	(24 500)
-	(1 288)
511 699	6 801 583
-	(17 479)
-	6 405 831
<u>(2 861 179)</u>	<u>(2 861 179)</u>
<u>7 338 049</u>	<u>230 135 867</u>

Statements of changes in equity

for the year ended 31 December 2010 (in Pula) (Cont.)

SOCIETY

	Accumulated funds	Low claims reserve	Revaluation reserve	Total fund attributable to members
Balance at 01 January 2009	85 911 823	525 887	99 989 057	186 426 767
Surplus for the year	11 205 512	-	-	11 205 512
Payments during the year	-	(10 886)	-	(10 886)
Net current year revaluation	<u>-</u>	<u>-</u>	<u>13 060 825</u>	<u>13 060 825</u>
Balance at 31 December 2009	97 117 335	515 001	113 049 882	210 682 218
Surplus for the year	9 010 998	-	-	9 010 998
Payments during the year	-	(17 479)	-	(17 479)
Net current year revaluation	<u>-</u>	<u>-</u>	<u>6 405 831</u>	<u>6 405 831</u>
Balance at 31 December 2010	<u>106 128 333</u>	<u>497 522</u>	<u>119 455 713</u>	<u>226 081 568</u>

Statements of cash flows

for the year ended 31 December 2010 (in Pula)

	Group		Society	
	2010	2009 Restated	2010	2009
OPERATING ACTIVITIES				
Surplus before taxation	6 525 443	10 576 688	9 010 998	11 205 512
Adjusted for:				
Depreciation	1 815 514	1 842 697	588 983	760 675
Profit on disposal of plant and equipment	(29)	(72 634)	-	-
Positive/(negative) goodwill on acquisition of investment	20 746	(171 741)	-	-
Movement in operating lease accrual	1 683	-	-	-
Movement in impairment loss accrual	(322 042)	187 996	-	-
Interest paid	65 244	81 558	-	-
Interest received	(5 708 780)	(5 858 197)	(5 159 719)	(4 824 158)
Dividends received	(2 776 271)	(3 178 860)	(5 571 556)	(3 178 860)
Cash (used in)/generated from operations	(378 492)	3 407 507	(1 131 294)	3 963 169
Movement in trade receivables	(2 362 724)	18 096	(2 928 785)	(421 578)
Movement in other receivables	(1 462 895)	408 963	(1 462 895)	408 963
Movement in accrued interest receivable	-	12 152	-	12 152
Movement in inventories	(402 583)	(291 578)	(443 921)	(291 104)
Movement in subscriptions received in advance	(367 050)	347 259	(367 050)	347 259
Movement in trade and other payables	1 104 240	3 732 094	1 242 842	3 858 312
Movement in provision for outstanding claims	(2 795 751)	(2 700 493)	(2 795 751)	(2 700 493)
Cash (used in)/generated from operations	(6 665 255)	4 934 000	(7 886 854)	5 176 680
Interest paid	(65 244)	(81 558)	-	-
Tax refunded/(paid)	145 616	(365 300)	-	-
Net cash (used in)/generated from operating activities	(6 584 883)	4 487 142	(7 886 854)	5 176 680
INVESTING ACTIVITIES				
Net purchases of investments	(46 534)	(93 777)	(46 534)	(93 777)
Purchase of plant and equipment	(1 118 761)	(1 099 598)	(271 757)	(92 502)
Proceeds on disposal of plant and equipment	9 645	396 847	-	-
Interest received	5 708 780	5 858 197	5 159 719	4 824 158
Dividends received	2 776 271	3 178 860	5 571 556	3 178 860
Net cash generated from investing activities	7 329 401	8 240 529	10 412 984	7 816 739
FINANCING ACTIVITIES				
Finance obtained	352 090	352 867	-	-
Capital repayment of finance lease obligations	(452 713)	(194 130)	-	-
Benefits paid through low claims reserve	(17 479)	(10 886)	(17 479)	(10 886)
Dividends paid	(2 469 705)	-	-	-
Net cash (used in)/generated from financing activities	(2 587 807)	147 851	(17 479)	(10 886)
Net (decrease)/increase in cash and cash equivalents	(1 843 289)	12 875 522	2 508 651	12 982 533
Cash and cash equivalents at beginning of year	75 911 339	63 035 817	64 405 315	51 422 782
Cash and cash equivalents at end of year	<u>74 068 050</u>	<u>75 911 339</u>	<u>66 913 966</u>	<u>64 405 315</u>
Represented by:				
Short term investments	49 595 213	44 908 359	49 595 213	44 908 359
Outstanding cheques for claims	(5 915 766)	(6 134 468)	(5 915 766)	(6 134 468)
Bank and cash balances	30 388 603	37 137 448	23 234 519	25 631 424
	<u>74 068 050</u>	<u>75 911 339</u>	<u>66 913 966</u>	<u>64 405 315</u>

Significant accounting policies

for the year ended 31 December 2010

The consolidated financial statements comprise the separate financial statements of the Society and its subsidiary (together referred to as the “group”).

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards.

Basis of preparation

The financial statements are presented in Pula, which is also the functional currency. The financial statements are prepared on the historical cost basis except for financial instruments which are stated at fair value and leasehold land and buildings which are stated at its revalued amount. The accounting policies have been consistently applied by the group and are consistent with those used in the previous year. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and 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 which form the basis of making the judgements about carrying values 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 accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. Significant judgements in the application of International Financial Reporting Standards consist mainly of the evaluation of the carrying amount of goodwill for possible impairment (per note 7), the evaluation of the carrying amount of the investment in subsidiary (per note 8), the assessment of residual values and depreciation rates applied to property, plant and equipment (per note 6), the evaluation of impairment associated with trade receivables (per note 12) and calculating the provision for outstanding claims (per note 21).

Basis of consolidation

Subsidiaries are entities controlled by the Society. Control exists when the Society has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and any unrealised gains or losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the group's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment, with the exception of leasehold land and buildings, are stated at cost less accumulated depreciation and impairment in value. Leasehold land and buildings are stated at valuation on the basis of the most recently established open market values with current additions measured at cost. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. The group currently obtains valuations of the land and buildings every five years.

Significant accounting policies

for the year ended 31 December 2010 (Cont.)

Depreciation

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with effect of any changes in estimate accounted for on a prospective basis. The economic useful lives of property, plant and equipment items are as follows:

• Leasehold land and buildings	Remaining period of lease
• Motor vehicles	4 years
• Computer equipment and software	4 years
• Office equipment and fittings	10 years
• Telephone equipment	5 years
• Medical equipment	4 years

The residual value of each part of property, plant and equipment, if not insignificant, is reassessed annually. The useful lives of property, plant and equipment are reassessed annually.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and included in the statement of comprehensive income.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of the financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal of the impairment loss is recognised in the statement of comprehensive income.

Non-financial assets

The carrying values of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflow that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in the statement of comprehensive income. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Impairment losses recognised in the prior periods are assessed at each reporting date for any indication that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Significant accounting policies

for the year ended 31 December 2010 (Cont.)

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, net of depreciation and amortisation, if no impairment was recognised.

Recognition and derecognition of assets and liabilities

The group recognises an asset when it obtains control of a resource as a result of past events and future economic benefits are expected to flow to the group. A financial asset is derecognised when the group loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. A financial liability is derecognised when it is legally extinguished.

Investment in subsidiary

The investment in subsidiary is carried at cost less impairment. The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred, and equity instruments issued by the society, and
- any costs directly attributable to the purchase of the subsidiary.

Goodwill

Goodwill represents amounts arising on acquisition of business units. The goodwill consists of the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment. Goodwill is reviewed annually for events or changes in circumstances which may indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount.

Inventories

Inventories are stated at the lower of cost and net realisable value using the first in, first out method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories includes costs incurred in acquiring the inventories and bringing them to their existing location and condition. Obsolete, redundant and slow moving inventory items are identified on a regular basis and are written down to their estimated net realisable values.

Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case the related taxation is also recognised in equity.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using tax rates enacted at the reporting date, and any adjustment of tax payable for previous years. Deferred tax is provided using the financial position liability method, based on temporary differences.

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax is charged to the statement of comprehensive income except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination. The effect on tax of any changes in tax rates is recognised in the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible

Significant accounting policies

for the year ended 31 December 2010 (Cont.)

temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The society is not subject to taxation as it is exempt from taxation in terms of the second schedule of the Botswana Income Tax Act (Chapter 52:01).

Retirement benefits

The group has defined contribution pension schemes which are funded through payments to insurance companies. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Employee entitlements to annual leave, bonuses, medical aid, pension contributions and housing benefits are recognised when they accrue to employees and an accrual is made for the estimated liability as a result of services rendered by employees up to the reporting date.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Provisions

A provision is recognised in the statement of financial position when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision is made for estimated outstanding claims incurred during the financial year, net of members portions, which are payable in the succeeding financial year. Members have up to four months to submit their claims.

Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business. Revenue from the sale of goods is exclusive of VAT and discounts granted and are recognised in the statement of comprehensive income when the following conditions have been satisfied:

- The group has transferred to the buyer the significant risks and rewards of ownership of the goods;

Significant accounting policies

for the year ended 31 December 2010 (Cont.)

- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is exclusive of VAT and discounts granted and are recognised in the statement of comprehensive income when the following conditions have been satisfied:

- The amount of revenue can be measured reliably;
- The stage of completion of the transaction at the reporting date can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from subscriptions is recognised on a receipt basis, based on the fund rules.

Interest received

Interest received is accrued on a time proportion basis, by reference to the principal outstanding and the interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Interest paid

Interest paid is recognised in the statement of comprehensive income in the period in which these expenses are incurred using the effective interest rate method.

Foreign currencies

Transactions in foreign currencies are translated to Pula 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.

Financial instruments

Financial assets

The group's principal financial assets comprise of the following:

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less impairment losses. Impairment losses are recognised in the statement of comprehensive income when collection of the full amount is no longer probable.

Significant accounting policies

for the year ended 31 December 2010 (Cont.)

Investments

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 measured subsequently at fair value. The fair value of the trading investments is based on quoted bid prices. Gains and losses arising on the fair value are recognised directly in equity. When these investments are derecognised, the cumulative gain or loss previously recognised in equity is included in the statement of comprehensive income. Available for sale investments are recognised or derecognised by the group on the date it commits to purchase or sell the investment.

Financial liabilities

The group's principal financial liabilities comprise of the following:

Trade and other payables

Liabilities for trade and other payables, 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, whether or not billed to the group.

Interest bearing liabilities

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/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 (which are not part of a hedging relationship), any gain or loss is recognised in the statement of comprehensive income when the liability is derecognised or impaired, as well as through the amortisation process.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments are included in the statement of comprehensive income in the period in which the change arises.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

New standards and interpretations not yet adopted

The following are new standards, amendments to standards and interpretations which are not yet effective at the reporting date and have not been applied in preparing the annual financial statements:

- **IFRIC 19:** This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. It does not address the accounting by the creditor. The interpretation, which becomes effective for the 2011 financial statements, is not expected to have any impact on the financial statements of the group.
- **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 group in the 2011 financial year.

Significant accounting policies

for the year ended 31 December 2010

- **IAS 32:** Financial Instruments: Presentation: Classification of Rights Issues requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The revision, which becomes mandatory for the group's 2011 financial statements, is not expected to have any impact on the financial statements of the group.
- **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 in their entirety and derecognised entirely but for which the entity retains continuing involvement. The revision, which becomes mandatory for the group's 2012 financial statements, is not expected to have any impact on the financial statements of the group.
- **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 2011 financial statements of the entity are not expected to be impacted as the entity does not currently operate a defined benefit plan.
- **IFRS 9:** IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. There are two options under IFRS 9 in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The impact on the 2013 financial statements for the entity is not expected to be significant.

Low claims reserve

The group rewards members who make low or no claims. The reward is comprised of increased claim limits. Where necessary, a transfer is made each year from the operating surplus to the low claims reserve and costs of the increased limits are charged to the reserve. The reserve is however available for other purposes as may be determined by the management committee and members.

Notes to the financial statements

for the year ended 31 December 2010 (in Pula)

	Group		Society	
	2010	2009 Restated	2010	2009
1. Special benefits				
Drug and laboratory tests	9 312 937	10 623 491	9 312 937	10 623 491
Other tests	439 675	369 649	439 675	369 649
Staff salaries	1 381 387	1 107 686	1 381 387	1 107 686
Recoveries from members	(758 081)	(1 885 399)	(758 081)	(1 885 399)
Net special benefits paid during the year	<u>10 375 918</u>	<u>10 215 427</u>	<u>10 375 918</u>	<u>10 215 427</u>
2. Operating (deficit) / surplus				
The operating (deficit) / surplus is stated after taking into account the following items:				
Audit fees - current year	440 647	465 906	278 829	271 206
- prior year	-	138 427	-	136 859
Cash losses recouped	-	(93 915)	-	-
Directors - fees	139 140	168 020	49 140	50 820
- remuneration	43 948	1 171 005	-	-
Bad debts recovered	(217 770)	-	-	-
Fidelity insurance claim refund	(149 940)	-	-	-
Movement in impairment loss accrual	(322 042)	187 996	-	-
Depreciation	1 815 514	1 842 697	588 983	760 675
Foreign exchange loss/(gain)	163 925	(467 861)	168 083	(466 686)
Profit on disposal of plant and equipment	(29)	(72 634)	-	-
Staff costs	<u>25 829 198</u>	<u>24 329 035</u>	<u>18 267 047</u>	<u>16 108 761</u>
3. Interest received				
Call accounts	516 752	1 655 196	472 964	727 456
Short term deposits	5 192 028	4 203 001	4 686 755	4 096 702
	<u>5 708 780</u>	<u>5 858 197</u>	<u>5 159 719</u>	<u>4 824 158</u>
4. Dividend and other income				
Dividends received	2 776 271	3 178 860	5 571 556	3 178 860
Agency commission	100 879	131 909	100 879	131 909
Sundry income	163 868	190 347	163 868	190 347
Agency expenses	(2 844)	(1 884)	(2 844)	(1 884)
	<u>3 038 174</u>	<u>3 499 232</u>	<u>5 833 459</u>	<u>3 499 232</u>

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

	Group		Society	
	2010	2009 Restated	2010	2009
5. Taxation				
Company tax at 15%	81 158	-	-	-
Additional company tax at 10%	54 105	-	-	-
ACT credit on dividends paid	(391 474)	-	-	-
Deferred tax charge	131 756	140 904	-	-
Over-provision of taxation in prior financial years	(151 685)	(57 402)	-	-
	<u>(276 140)</u>	<u>83 502</u>	<u>-</u>	<u>-</u>
Tax reconciliation				
Surplus before taxation	6 525 443	10 576 688	9 010 998	11 205 512
Taxation at 25% statutory rate	1 631 361	2 644 172	2 252 750	2 801 378
Income exempt from income tax	(2 252 750)	(2 801 378)	(2 252 750)	(2 801 378)
Expenses not deductible for tax	348 358	140 123	-	-
Other differences	408 294	17 083	-	-
Deferred tax charge	131 756	140 904	-	-
Prior year over-provision	(151 685)	(57 402)	-	-
ACT credit on dividends paid	(391 474)	-	-	-
Taxation per statement of comprehensive income	<u>(276 140)</u>	<u>83 502</u>	<u>-</u>	<u>-</u>

The group has P210 958 (2009: P1 041 613) of additional company taxation (ACT) reserves available for off-set against withholding tax on future dividends declared. The ACT reserves are scheduled to fall away with effect from 01 July 2011.

The group has P81 290 (2009: P1 162 686) of assessed losses available for off-set against future taxable profits.

Tax year	2010	2009
2008	-	475 454
2009	81 290	687 232
	<u>81 290</u>	<u>1 162 686</u>

Comparatives for taxation have been restated in the Group financial statements. The reasons for the restatements and effects thereof have been disclosed in Note 27 of these financial statements.

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

6. Property, plant and equipment

6.1 Group - Restated

	Leasehold land and buildings	Motor vehicles	Office equipment	Equipment, furniture and fittings	Telephone equipment	Total
Cost/valuation						
Balance at beginning of year - restated	18 008 857	3 125 430	6 386 875	7 093 359	396 546	35 011 067
Additions	113 270	349 217	141 301	514 973	-	1 118 766
Revaluation	17 670 684	-	-	-	-	17 670 684
Disposals	-	(35 445)	-	(254 518)	-	(289 963)
Balance at end of year	<u>35 792 811</u>	<u>3 439 202</u>	<u>6 528 176</u>	<u>7 353 814</u>	<u>396 546</u>	<u>53 510 554</u>
Accumulated depreciation						
Balance at beginning of year - restated	1 723 665	2 072 859	6 040 560	5 062 939	275 001	15 175 024
Charge for the year	409 423	596 840	178 517	585 241	45 493	1 815 514
Revaluation adjustment	2 356 044	-	-	-	-	2 356 044
Disposals	-	(35 445)	-	244 897	-	(280 342)
Balance at end of year	<u>4 489 132</u>	<u>2 634 254</u>	<u>6 219 077</u>	<u>5 403 283</u>	<u>320 494</u>	<u>19 066 240</u>
Net book values						
At 31 December 2010	<u>31 303 679</u>	<u>804 948</u>	<u>309 099</u>	<u>1 950 531</u>	<u>76 052</u>	<u>34 444 314</u>
At 31 December 2009	<u>16 285 192</u>	<u>1 052 571</u>	<u>346 315</u>	<u>2 030 420</u>	<u>121 545</u>	<u>19 836 043</u>

Leasehold land and buildings comprise of the following:

Lot 50638 Fairgrounds, Gaborone, measuring 4,386 square meters, which property is held under a Deed of Fixed Period State Grant for fifty years commencing 4 February 1994. This property was independently valued by CB Richards Ellis, Chartered Surveyor on the open market value basis in 2010.

Lot 20263, Gaborone measures 1,1707 hectares and is a freehold property. Lot 60601, Gaborone measures 1,562 square meters and is a freehold property. These properties were independently valued on the open market value basis by Pam Golding Properties, Chartered Surveyors in 2008.

Tribal Lot 724, Maun measures 1,337 square meters and is a freehold property. This property was independently valued on the open market value by Roscoe Bonna Valuers, Chartered Surveyors in 2008.

The open market value basis is defined as the estimated amount for which the property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties each acted knowledgeably, prudently and without compulsion.

The estimated useful lives, residual values and depreciation methods are reviewed by management at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The review did not highlight any requirement for an adjustment to the residual values and useful lives used in the current or prior periods.

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

6. Property, plant and equipment (continued)

6.1 Group – restated (continued)

Motor vehicles with a net book value of P536 808 (2009: P590 168) and a printer with a net book value of P42 397 (2009: P Nil) are encumbered as per note 16.

Comparatives for property, plant and equipment have been restated in the Group financial statements. The reasons for the restatements and effects thereof have been disclosed in Note 27 of these financial statements.

6.2 Society

	Leasehold land and buildings	Motor vehicles	Office equipment	Equipment, furniture and fittings	Telephone equipment	Total
Cost/valuation						
Balance at the beginning of period	9 869 796	544 576	6 386 875	1 492 362	396 547	18 690 156
Additions	70 975	-	141 301	59 481	-	271 757
Revaluation	17 670 684	-	-	-	-	17 670 684
Balance at the end of period	<u>27 611 455</u>	<u>544 576</u>	<u>6 528 176</u>	<u>1 551 843</u>	<u>396 547</u>	<u>36 632 597</u>
Accumulated depreciation						
Balance at the beginning of period	1 097 061	476 958	6 040 560	988 261	275 001	8 877 841
Charge for the period	228 350	33 809	178 517	102 814	45 493	588 983
Revaluation adjustment	2 356 044	-	-	-	-	2 356 044
Balance at the end of period	<u>3 681 455</u>	<u>510 767</u>	<u>6 219 077</u>	<u>1 091 075</u>	<u>320 494</u>	<u>11 822 868</u>
Net book values						
At 31 December 2010	<u>23 930 000</u>	<u>33 809</u>	<u>309 099</u>	<u>460 768</u>	<u>76 053</u>	<u>24 809 729</u>
At 31 December 2009	<u>8 772 735</u>	<u>67 618</u>	<u>346 315</u>	<u>504 101</u>	<u>121 546</u>	<u>9 812 315</u>

The leasehold land and buildings comprise Lot 50638 Fairgrounds, Gaborone, measuring 4,386 square meters, which property is held under a Deed of Fixed Period State Grant for fifty years commencing 4 February 1994.

The leasehold land and buildings were independently revalued by CB Richards Ellis, Chartered Surveyor on the open market value basis in 2010. The revaluation surplus was credited to the revaluation reserve. The open market value basis is defined as the estimated amount for which the property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties each acted knowledgeably, prudently and without compulsion. The estimated useful lives, residual values and depreciation methods are reviewed by management at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The review did not highlight any requirement for an adjustment to the residual values and useful lives used in the current or prior periods.

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

	Group		Society	
	2010	2009 Restated	2010	2009
7. Goodwill				
Balance at beginning and end of year	<u>371 093</u>	<u>371 093</u>	<u>-</u>	<u>-</u>

The goodwill arose on acquisition of MRI Botswana Limited with effect from 11 July 2008. The valuation of goodwill was determined by comparing the fair value of the consideration paid to acquire the shareholding and the proportionate share of the estimated fair values of the company's net assets. Management's assessment of goodwill impairment at year end did not indicate that goodwill was impaired. The assessment of goodwill impairment was based on the net asset value (including current market values of properties) and the estimated future cash flows of MRI Botswana Limited.

Comparatives for goodwill have been restated in the Group financial statements. The reasons for the restatements and effects thereof have been disclosed in Note 27 of these financial statements.

	Group		Society	
	2010	2009	2010	2009
8. Investment in subsidiary				
Balance at beginning of year	-	-	12 043 800	11 950 023
Acquisition during year	-	-	46 534	93 777
Balance at end of year	<u>-</u>	<u>-</u>	<u>12 090 334</u>	<u>12 043 800</u>
Reconciliation of the movement in shares acquired in MRI Botswana				
Balance at beginning of year	-	-	9 635 040	9 560 018
Shares acquired during year	-	-	37 227	75 022
Balance at end of year	<u>-</u>	<u>-</u>	<u>9 672 267</u>	<u>9 635 040</u>

A detailed impairment assessment performed by management at year end indicated that the investment in MRI Botswana Limited was not impaired. The assessment was based on the net asset value (including current market values of properties) and the estimated future cash flows of MRI Botswana Limited.

The above shares were acquired at P1.25 each.

MRI Botswana Limited is a company incorporated in Botswana.

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

	Group		Society	
	2010	2009	2010	2009
9. Available-for-sale investments				
At valuation				
9.1 Available for sale listed investments - local				
FIRST NATIONAL BANK OF BOTSWANA 16 598 000 ordinary shares	36 681 580	41 495 000	36 681 580	41 495 000
BARCLAYS BANK OF BOTSWANA 1 590 000 ordinary shares	8 427 000	10 176 000	8 427 000	10 176 000
SEFALANA HOLDING CO. 786 616 (2009: 707 866) ordinary shares	2 123 863	2 272 250	2 123 863	2 272 250
SEFCASH 17 500 ordinary shares	-	255 500	-	255 500
SECHABA INVESTMENT TRUST CORP. 200 000 ordinary shares	2 174 000	2 560 000	2 174 000	2 560 000
G4S SECURITY 15 000 Ordinary shares	450 000	345 000	450 000	345 000
BOTSWANA INSURANCE HOLDINGS LIMITED 887 779 ordinary shares	9 321 680	9 055 346	9 321 680	9 055 346
STANDARD CHARTERED BANK LTD 500 000 ordinary shares	4 030 000	7 950 000	4 030 000	7 950 000
K Y S INVESTMENTS LIMITED 154 200 ordinary shares	100 230	100 230	100 230	100 230
FURNITURE MART 27 060 ordinary shares	349 074	297 660	349 074	297 660
ENGEN 30 000 ordinary shares	190 500	115 500	190 500	115 500
CHOBE HOLDINGS 56 969 ordinary shares	142 423	119 635	142 423	119 635
TURNSTAR HOLDINGS 1 000 000 linked units	1 500 000	1 400 000	1 500 000	1 400 000
Local investments	65 490 350	76 142 121	65 490 350	76 142 121

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

	Group		Society	
	2010	2009 Restated	2010	2009
9. Available-for-sale investments (continued)				
At valuation				
9.2 Available for sale investments - offshore				
African Alliance - Global Income Fund	12 110 213	12 268 843	12 110 213	12 268 843
Botswana Insurance Fund Management offshore equities	28 130 957	28 298 564	28 130 957	28 298 564
Botswana Insurance Fund Management fixed interest fund	78 991	75 112	78 991	75 112
Botswana Insurance Fund Management offshore bonds	11 468 917	11 365 496	11 468 917	11 365 496
Botswana Insurance Fund Management offshore money markets	2 688 158	878 897	2 688 158	878 897
African Alliance - Global Allocation Fund	2 780 079	2 720 679	2 780 079	2 720 679
Fleming Asset Management	8 149 270	8 056 032	8 149 270	8 056 032
Offshore investments	65 406 585	63 663 623	65 406 585	63 663 623
Total investments	130 896 935	139 805 744	130 896 935	139 805 744
10. Deferred taxation				
10.1 Reconciliation				
Balance at beginning of year	(1 268 913)	59 491	-	-
Charge for the year	(131 756)	(140 904)	-	-
Fair valuation of subsidiary land and buildings	-	(1 187 500)	-	-
Balance at end of year	<u>(1 400 669)</u>	<u>(1 268 913)</u>	<u>-</u>	<u>-</u>
10.2 Analysis of deferred taxation				
Accelerated capital allowances on plant and equipment	(44 566)	(182 737)	-	-
Fair valuation of subsidiary land and buildings	(1 377 754)	(1 377 754)	-	-
Deferred rental liability	1 328	907	-	-
Taxation loss	20 323	290 671	-	-
	<u>(1 400 699)</u>	<u>(1 268 913)</u>	<u>-</u>	<u>-</u>

Comparatives for deferred taxation have been restated in the Group financial statements. The reasons for the restatements and effects thereof have been disclosed in Note 27 of these financial statements.

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

	Group		Society	
	2010	2009	2010	2009
11. Inventories				
Dispensary drugs, medicines and other consumables	<u>1 299 936</u>	<u>897 353</u>	<u>1 233 261</u>	<u>789 340</u>
12. Trade receivables				
Trade receivables	11 396 453	9 033 729	8 103 613	5 174 828
Less impairment loss accrual	(889 209)	(1 211 251)	-	-
	<u>10 507 244</u>	<u>7 822 478</u>	<u>8 103 613</u>	<u>5 174 828</u>
13. Other receivables				
Dividends receivable	29 495	88 527	29 495	88 527
Special benefit fund contributions	916 016	217 718	916 016	217 718
Other receivables	<u>1 097 329</u>	<u>273 700</u>	<u>1 097 329</u>	<u>273 700</u>
	<u>2 042 840</u>	<u>579 945</u>	<u>2 042 840</u>	<u>579 945</u>
14. Short term investments				
African Alliance	1 665	1 566	1 665	1 566
Botswana Building Society fixed deposit	<u>49 593 548</u>	<u>44 906 793</u>	<u>49 593 548</u>	<u>44 906 793</u>
	<u>49 595 213</u>	<u>44 908 359</u>	<u>49 595 213</u>	<u>44 908 359</u>
15. Revaluation reserve				
Available for sale reserve				
Balance at beginning of year	109 928 760	96 867 935	109 928 760	96 867 935
Revaluation during the year	(8 908 809)	13 060 825	(8 908 809)	13 060 825
Balance at end of year	<u>101 019 951</u>	<u>109 928 760</u>	<u>101 019 951</u>	<u>109 928 760</u>
Property revaluation				
Balance at beginning and end of year	3 121 122	3 121 122	3 121 122	3 121 122
Revaluation during the year	15 314 640	-	15 314 640	-
Balance at end of year	<u>18 435 762</u>	<u>3 121 122</u>	<u>18 435 762</u>	<u>3 121 122</u>
Total revaluation reserve at end of year	<u>119 455 713</u>	<u>113 049 882</u>	<u>119 455 713</u>	<u>113 049 882</u>
16. Finance lease obligations				

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

	Group		Society	
	2010	2009	2010	2009
16. Finance lease obligations (continued)				
Gross finance lease liabilities - minimum lease payments				
Not later than 1 year	286 087	316 956	-	-
Later than one year but not more than five years	263 822	352 912	-	-
	<u>549 906</u>	<u>669 868</u>	-	-
Future finance charges on the finance lease liabilities	(57 809)	(77 148)	-	-
	<u>492 097</u>	<u>592 720</u>	-	-
Present value of the finance lease liabilities				
The present value of the finance lease liabilities is as follows:				
Not later than 1 year	246 873	265 558	-	-
Later than 1 year but not later than 5 years	245 224	327 162	-	-
	<u>492 097</u>	<u>592 720</u>	-	-

Finance charges are calculated at an effective interest rate of 10% (2009: 10.50%) per annum on motor vehicles and 13% per annum on the printer. Interest on finance leases is variable and currently charged at the prime lending rate minus 1% for motor vehicles and the prime lending rate plus 2% on printer. The finance leases are secured over motor vehicles and printer with a cost of P942 539 (2009: P590 168) and P54 300 respectively. Refer Note 6.1.

17. Deferred rental liability				
Balance at beginning of year	3 627	3 627	-	-
Charge to statement of comprehensive income	1 683	-	-	-
Balance at end of year	<u>5 310</u>	<u>3 627</u>	-	-
18. Trade and other payables				
Staff related accruals	4 228 015	3 676 994	3 347 965	2 822 157
Accruals and other creditors	7 832 402	7 279 183	6 807 948	6 090 914
	<u>12 060 417</u>	<u>10 956 177</u>	<u>10 155 913</u>	<u>8 913 071</u>

19. Subscriptions received in advance

These are amounts received from members during the current year which relate to the following financial year. These amounts were classified as current liabilities as the benefits in respect thereof are expected to be utilised during the subsequent financial year.

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

	Group		Society	
	2010	2009	2010	2009
20.Cash and cash equivalents				
Cash and bank balances (note 20.1)	30 388 603	37 137 448	23 234 519	25 631 424
Short term investments (note 20.2)	49 595 213	44 908 359	49 595 213	44 908 359
Outstanding cheques for claims (note 20.3)	(5 915 766)	(6 134 468)	(5 915 766)	(6 134 468)
	<u>74 068 050</u>	<u>75 911 339</u>	<u>66 913 966</u>	<u>64 405 315</u>

20.1 Cash and bank balances comprise cash and deposits with financial institutions which are payable on demand.

20.2 These investments matured during the year and were reinvested with local financial institutions for periods less than three months. Interest in respect of these investments generally accrues at the prevailing market rates.

20.3 These amounts are un-presented cheques in respect of benefits (claims) paid, which had not been cleared by the bankers at year-end. The majority of these payments cleared subsequent to year end.

21.Provision for outstanding claims

This balance represents the fair value of claims which were due and payable as at year end. The obligation approximates the total value of claims which were subsequently paid within the four month period in accordance with the fund rules.

22.Fidelity cover

In accordance with the rules of the fund, fidelity cover of P2 000 000 (2009: P2 000 000) has been procured.

23.Contingent liabilities

The group is currently a defendant of a lawsuit of P880 000 by Dr Vincent Setlhare. The group's lawyers advise that it is probable that the group will not be found liable in this case and as such no provision has been raised.

The group had filed a case against the Public Procurement and Asset Disposal Board (PPADB) and a competitor on account of its alleged irregular awarding of the GEMVAS contract to a competitor. Judgement was made in the case and the group was successful. However, the court only awarded costs in favour of the group and a decision on how the costs will be shared by the defendants has not been made.

The group is currently defending a case in which an individual has filed a lawsuit against for a claim of P355 000 with interest at 10% per annum for an accident which occurred in March 2006.

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

	Group		Society	
	2010	2009	2010	2009
24.Related parties				
24.1 Remuneration to key members of management				
Directors' fees	139 140	168 020	49 140	50 820
Directors' remuneration	43 948	1 171 005	-	-
Compensation to key members of management	4 945 384	5 243 997	2 533 880	2 846 841
	<u>5 128 472</u>	<u>6 583 022</u>	<u>2 583 020</u>	<u>2 897 661</u>

24.2 Related party transactions

These include payments by Botswana Medical Aid Society to MRI Botswana Limited in respect of medical rescue services for its active members on a monthly basis. Such transactions are entered into on an arm's length basis during the ordinary course of business. The total value of the services received from MRI Botswana Limited during the year was P5 159 980 (2009: P4 739 551), and the total amount due and payable to MRI Botswana Limited at year end was P1 815 383 (2009: P429 710).

25. Financial instruments

Exposure to interest rate, foreign exchange, credit and liquidity risk occurs in the normal course of the group's business. Each of these financial risks is described below together with a summary of the way in which the group manages these risks.

Market risk

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

Interest rate risk

Financial instruments subject to interest rate risk are as follows:

	Group		Society	
	2010	2009	2010	2009
Finance lease obligations	(492 097)	(592 720)	-	-
Short term investments	49 595 213	44 908 359	49 595 213	44 908 359
Call accounts and money market funds	24 344 160	30 232 506	18 416 076	19 093 699
	<u>73 447 273</u>	<u>74 548 145</u>	<u>68 011 289</u>	<u>64 002 058</u>

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

	Group		Society	
	2010	2009	2010	2009

25. Financial instruments (continued)

The group invests with reputable institutions and is subject to normal market interest rate risk. The effective annual interest rates on the financial instruments noted above at year-end were as follows:

Rand call	3.075%	3.075%	3.075%	3.075%
Pula call	4.000%	4.000%	4.000%	4.000%
GBP call	1.250%	1.250%	1.250%	1.250%
Finance lease liabilities (motor)	10.00%	10.50%	-	-
Finance lease liabilities (printer)	13.00%	-	-	-

The following are the Pula equivalent amounts held by the group in its call accounts:

	GBP	Pula	Rand
2010 call deposit	<u>2 502 647</u>	<u>21 764 638</u>	<u>76 875</u>
2009 call deposit	<u>2 540 513</u>	<u>27 623 501</u>	<u>68 492</u>

The following are the Pula equivalent amounts that were held by the Society in its call accounts:

	GBP	Pula	Rand
2010 call deposits	<u>2 502 647</u>	<u>15 836 554</u>	<u>76 875</u>
2009 call deposits	<u>2 540 513</u>	<u>16 484 694</u>	<u>68 492</u>

Maturity analysis for short term investments

	Interest rate	Maturity date	Pula amount
2010			
African Alliance	10.50%	31/03/2011	1 665
Botswana Building Society	11.50%	31/03/2011	49 593 548
			<u>49 595 213</u>
2009			
African Alliance	8.70%	31/03/2010	1 566
Botswana Building Society	11.50%	31/03/2010	44 906 793
			<u>44 908 359</u>

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

25. Financial instruments (continued)

Sensitivity to interest rate movement

A change of 50 basis points in interest rates during the reporting period would have increased/decreased the surplus by an equal amount in either direction, as shown below:

Group 2010	Current rate	New rate	Principal amount	Effect on the surplus
Finance lease liabilities (motor)	10.00%	10.50%	(444 097)	(2 221)
Finance lease liabilities (printer)	13.00%	13.50%	(48 000)	(240)
			<u>(492 097)</u>	<u>(2 461)</u>
Short term investments				
African Alliance	10.50%	11.00%	1 665	8
Botswana Building Society	11.50%	12.00%	49 593 548	247 968
Call and short term deposit funds	4.00%	4.50%	24 344 160	121 721
			<u>73 447 273</u>	<u>367 236</u>
Group 2009				
Finance lease liabilities	10.50%	11.00%	(592 720)	(2 964)
Short term investments				
African Alliance	7.83%	8.33%	1 566	8
Botswana Building Society	11.50%	12.00%	44 906 793	224 534
Call and short term deposit funds	6.00%	6.50%	30 232 506	151 163
			<u>74 548 145</u>	<u>372 741</u>
Society 2010				
African Alliance	10.50%	11.00%	1 665	8
Botswana Building Society	11.50%	12.00%	49 593 213	247 968
Call and short term deposit funds	4.00%	4.50%	18 416 076	92 080
			<u>68 010 954</u>	<u>340 056</u>
Society 2009				
African Alliance	7.83%	8.33%	1 566	8
Botswana Building Society	11.50%	12.00%	44 908 359	224 542
Call and short term deposit funds	6.00%	6.50%	19 093 699	95 469
			<u>64 003 624</u>	<u>320 019</u>

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to the financial instrument fails to meet its obligation. 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 or South Africa. Banks in Botswana are not rated however each of the banks concerned are subsidiaries of major South African or United Kingdom registered institutions.

Exposure to credit risk

The group does not hold collateral as security in respect of its financial assets and the maximum credit exposure as at the reporting date is equal to the carrying amounts of the following financial assets (which approximate their fair values):

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

	Group		Society	
	2010	2009	2010	2009
25. Financial instruments (continued)				
Trade receivables	10 507 244	7 822 478	8 103 613	5 174 828
Other receivables	2 042 840	579 945	2 042 840	579 945
Cash and cash equivalents	74 068 050	75 911 339	66 913 966	64 405 315
	<u>86 618 134</u>	<u>84 313 762</u>	<u>77 060 419</u>	<u>70 160 088</u>

Based on the default rates, the group believes that no impairment allowance is necessary in respect of medical aid subscriptions receivable and included in trade receivables, as these balances relate to customers with a good credit history with the group.

Total medical aid subscriptions included in trade receivables at year end were P8 103 613 (2009: P5 174 828).

The group establishes an allowance for impairment which represents its estimate of incurred losses in respect of trade receivables. The main component of this allowance consists of a specific loss component based on balances exceeding agreed upon credit terms.

As at year end, trade receivables of P9 768 877 (2009: P5 546 600) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

	Group		Society	
	2010	2009	2010	2009
Up to 2 months	7 973 743	5 130 469	7 633 432	4 956 149
2 to 3 months	759 743	237 720	419 260	188 227
3 to 4 months	292 665	65 717	50 921	30 456
Over 4 months	742 726	112 694	-	-
	<u>9 768 877</u>	<u>5 546 600</u>	<u>8 103 613</u>	<u>5 174 832</u>

Of the trade receivable balance at year end (excluding medical aid contributions) a total of P1 688 613 (2009: P1 054 113) is due from medical aid societies and financial services companies as analysed below:

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

	Group	
	2010	2009
25. Financial instruments (continued)		
Bokamoso Private Hospital	-	156 110
Botswana Public Officers Medical Aid Scheme	424 405	348 259
International SOS	-	86 710
Motor Vehicle Accident Fund	993 544	-
Penrich	-	227 000
Pula Medical Aid Society	270 664	236 034
	<u>1 688 613</u>	<u>1 054 113</u>
Movement for the provision for impairment		
Balance at beginning of year	1 211 251	1 023 255
(Decrease)/increase in accrual for impairment allowance	(322 042)	187 996
Balance at end of year	<u>889 209</u>	<u>1 211 251</u>

Liquidity risk

The group is exposed to daily operational payments and payment of claims, trade and other payable balances and finance lease obligations.

The following are the contractual maturities of financial liabilities, excluding estimated interest payments and the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 months or less
Group 2010			
Trade and other payables	(12 060 417)	(12 060 417)	(12 060 417)
Finance lease liabilities	(492 097)	(492 097)	(146 699)
Subscriptions received in advance	(899 010)	(899 010)	(899 010)
Outstanding cheques for claims	(5 915 766)	(5 915 766)	(5 915 766)
Provisions for outstanding claims	(8 954 187)	(8 954 187)	(8 954 187)
	<u>(28 321 477)</u>	<u>(28 321 480)</u>	<u>(27 976 079)</u>
Group 2009			
Trade and other payables	(10 956 177)	(10 956 177)	(10 956 177)
Finance lease liabilities	(592 720)	(592 720)	(132 779)
Subscriptions received in advance	(1 266 060)	(1 266 060)	(1 266 060)
Outstanding cheques for claims	(6 134 468)	(6 134 468)	(6 134 468)
Provisions for outstanding claims	(11 749 938)	(11 749 938)	(11 749 938)
	<u>(30 699 363)</u>	<u>(30 699 363)</u>	<u>(30 239 422)</u>

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

25. Financial instruments (continued)

	Carrying amount	Contractual cash flows	6 months or less
Society 2010			
Trade and other payables	(10 155 913)	(10 155 913)	(10 155 913)
Subscriptions received in advance	(899 010)	(899 010)	(899 010)
Outstanding cheques for claims	(5 915 766)	(5 915 766)	(5 915 766)
Provisions for outstanding claims	(8 954 187)	(8 954 187)	(8 954 187)
	<u>(25 924 876)</u>	<u>(25 924 876)</u>	<u>(25 924 876)</u>
Society 2009			
Trade and other payables	(8 913 071)	(8 913 071)	(8 913 071)
Subscriptions received in advance	(1 266 060)	(1 266 060)	(1 266 060)
Outstanding cheques for claims	(6 134 468)	(6 134 468)	(6 134 468)
Provisions for outstanding claims	(11 749 938)	(11 749 938)	(11 749 938)
	<u>(28 063 537)</u>	<u>(28 063 537)</u>	<u>(28 063 537)</u>

Exposure to currency risk

The group is exposed to foreign currency risk for transactions that are denominated in a currency other than Pula.

The group does not take cover on foreign currency as it regards the Pula as a stable currency.

The group's exposure to foreign currency risk based on notional amounts is analysed as follows:

	GBP	Rand	Pula equivalent
2010			
Cash and cash equivalents	245 505	900 708	3 362 582
Provision for outstanding claims	-	(956 220)	(955 742)
	<u>-</u>	<u>(956 220)</u>	<u>(955 742)</u>
	GBP/BWP	ZAR/BWP	
Year-end translation rate – Buy	9.804	1.061	
Year-end translation rate – Sell	10.194	1.001	
2009			
Cash and cash equivalents	232 658	74 587	2 466 371
Provision for outstanding claims	-	(2 434 154)	(2 235 220)
	<u>-</u>	<u>(2 434 154)</u>	<u>(2 235 220)</u>
	GBP/BWP	ZAR/BWP	
Year-end translation rate – Buy	10.228	1.163	
Year-end translation rate – Sell	10.920	1.089	

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

25. Financial instruments (continued)

Sensitivity analysis

A 10 percent strengthening of the Botswana Pula against these currencies at year end would have decreased equity and surplus for the year by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

The analysis is performed on the same basis for 2009.

	Equity	Surplus for the year
31 December 2010	(240 684)	(240 684)
31 December 2009	(21 014)	(21 014)

A 10% weakening of the Pula against the above currencies at year end would have had the equal but opposite effect on the equity and surplus for the period to the amounts shown above, on the basis that all other variables remain constant.

Price risk

The group has investments in equity funds and equity instruments listed on the Botswana Stock Exchange. These investments are classified as available for sale.

Fluctuations in the share prices impact on the value of the investments, giving rise to price risk.

The group does not take out financial instruments to manage this risk as fluctuations are normal in the short term. The share prices are expected to stabilise over the long term.

As at year end, the fair value of the listed equity instruments were as follows:

	Pula
Fair value 2010	<u>130 896 935</u>
Fair value 2009	<u>139 805 744</u>

A 10% movement in the above stated fair values at year end would result in the following gains or losses of equal amount:

	Pula
2010	<u>13 089 694</u>
2009	<u>13 980 574</u>

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

25. Financial instruments (continued)

Categorisation of assets and liabilities (Group)

2010	Total	Financial assets and liabilities			Other non-financial assets and liabilities	Current/ non-current distinction	
		Financial assets designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Current assets and liabilities	Non-current assets and liabilities
ASSETS							
Property, plant and equipment	34 444 314	-	-	-	34 444 314	-	34 444 314
Goodwill	371 093	-	-	-	371 093	-	371 093
Available for sale investments	130 896 935	-	-	-	130 896 935	-	130 896 935
Inventories	1 299 936	-	-	-	1 299 936	1 299 936	-
Trade receivables	10 507 244	-	10 507 244	-	-	10 507 244	-
Other receivables	2 042 840	-	2 042 840	-	-	2 042 840	-
Short term investments	49 595 213	49 595 213	-	-	-	49 595 213	-
Cash and cash equivalents	30 388 603	30 388 603	-	-	-	30 388 603	-
Taxation refundable	317 145	-	-	-	317 145	317 145	-
	259 863 323	79 983 816	12 550 084	-	167 329 423	94 150 981	165 712 342
LIABILITIES							
Finance lease obligations	245 224	-	-	245 224	-	-	245 224
Deferred taxation	1 400 669	-	-	-	1 400 669	-	1 400 669
Deferred rental liability	5 310	-	-	-	5 310	5 310	-
Trade and other payables	12 060 417	-	-	12 060 417	-	12 060 417	-
Subscriptions received in advance	899 010	-	-	899 010	-	899 010	-
Outstanding cheques for claims	5 915 766	-	-	5 915 766	-	5 915 766	-
Provision for outstanding claims	8 954 187	-	-	8 954 187	-	8 954 187	-
Current portion of finance lease obligations	246 873	-	-	246 873	-	246 873	-
	29 727 456	-	-	28 321 477	1 405 979	28 081 563	1 645 893

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

25. Financial instruments (continued)

Categorisation of assets and liabilities (Group) (Continued)

2009	Total	Financial assets and liabilities			Other non-financial assets and liabilities	Current/ non-current distinction	
		Financial assets designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Current assets and liabilities	Non-current assets and liabilities
ASSETS							
Property, plant and equipment	19 836 043	-	-	-	19 836 043	-	19 836 043
Goodwill	371 093	-	-	-	371 093	-	371 093
Available for sale investments	139 805 744	-	-	-	139 805 744	-	139 805 744
Inventories	897 353	-	-	-	897 353	897 353	-
Trade receivables	7 822 478	-	7 822 478	-	-	7 822 478	-
Other receivables	579 945	-	579 945	-	-	579 945	-
Short term investments	44 908 359	44 908 359	-	-	-	44 908 359	-
Cash and cash equivalents	37 137 448	37 137 448	-	-	-	37 137 448	-
Taxation refundable	446 339	-	-	-	446 339	446 339	-
	251 804 802	82 045 807	8 402 423	-	161 356 572	91 791 922	160 012 880
LIABILITIES							
Finance lease obligations	327 162	-	-	327 162	-	-	327 162
Deferred taxation	1 268 913	-	-	-	1 268 913	-	1 268 913
Deferred rental liability	3 627	-	-	-	3 627	3 627	-
Trade and other payables	10 956 177	-	-	10 956 177	-	10 956 177	-
Subscriptions received in advance	1 266 060	-	-	1 266 060	-	1 266 060	-
Outstanding cheques for claims	6 134 468	-	-	6 134 468	-	6 134 468	-
Provision for outstanding claims	11 749 938	-	-	11 749 938	-	11 749 938	-
Current portion of finance lease obligations	265 558	-	-	265 558	-	265 558	-
	31 971 903	-	-	30 699 363	1 272 540	30 375 828	1 596 075

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

25. Financial instruments (continued)

Categorisation of assets and liabilities (Society)

2010	Total	Financial assets and liabilities			Other non-financial assets and liabilities	Current/ non-current distinction	
		Financial assets designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Current assets and liabilities	Non-current assets and liabilities
ASSETS							
Property, plant and equipment	24 809 729	-	-	-	24 809 729	-	24 809 729
Investment in subsidiary	12 090 334	-	-	-	12 090 334	-	12 090 334
Available for sale investments	130 896 935	-	-	-	130 896 935	-	130 896 935
Inventories	1 233 261	-	-	-	1 233 261	1 233 261	-
Trade receivables	8 103 613	-	8 103 613	-	-	8 103 613	-
Other receivables	2 042 840	-	2 042 840	-	-	2 042 840	-
Short term investments	49 595 213	49 595 213	-	-	-	49 595 213	-
Cash and cash equivalents	23 234 519	23 234 519	-	-	-	23 234 519	-
	252 006 444	72 829 732	10 146 453	-	169 030 259	84 209 446	167 796 998
LIABILITIES							
Trade and other payables	10 155 913	-	-	10 155 913	-	10 155 913	-
Subscriptions received in advance	899 010	-	-	899 010	-	899 010	-
Outstanding cheques for claims	5 915 766	-	-	5 915 766	-	5 915 766	-
Provision for outstanding claims	8 954 187	-	-	8 954 187	-	8 954 187	-
	25 924 876	-	-	25 924 876	-	25 924 876	-

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

25. Financial instruments (continued)

Categorisation of assets and liabilities (Society) (Continued)

2009	Total	Financial assets and liabilities			Other non-financial assets and liabilities	Current/ non-current distinction	
		Financial assets designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Current assets and liabilities	Non-current assets and liabilities
ASSETS							
Property, plant and equipment	9 812 315	-	-	-	9 812 315	-	9 812 315
Investment in subsidiary	12 043 800	-	-	-	12 043 800	-	12 043 800
Available for sale investments	139 805 744	-	-	-	139 805 744	-	139 805 744
Inventories	789 340	-	-	-	789 340	789 340	-
Trade receivables	5 174 828	-	5 174 828	-	-	5 174 828	-
Other receivables	579 945	-	579 945	-	-	579 945	-
Short term investments	44 908 359	44 908 359	-	-	-	44 908 359	-
Cash and cash equivalents	25 631 424	25 631 424	-	-	-	25 631 424	-
	238 745 755	70 539 783	5 754 773	-	162 451 199	77 083 896	161 661 859
LIABILITIES							
Trade and other payables	8 913 071	-	-	8 913 071	-	8 913 071	-
Subscriptions received in advance	1 266 060	-	-	1 266 060	-	1 266 060	-
Outstanding cheques for claims	6 134 468	-	-	6 134 468	-	6 134 468	-
Provision for outstanding claims	11 749 938	-	-	11 749 938	-	11 749 938	-
	28 063 537	-	-	28 063 537	-	28 063 537	-

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

25. Financial instruments (continued)

Fair values

Financial instruments carried at fair value are categorised in three levels by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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:

	Note	Level 1	Level 2	Level 3	Total
31 December 2010 - Group					
Short term investments	14	49 593 548	1 665	-	49 595 213
Cash and cash equivalents	20	-	-	30 388 603	30 388 603
		<u>49 593 548</u>	<u>1 655</u>	<u>30 388 603</u>	<u>79 983 816</u>
31 December 2009 - Group					
Short term investments	14	44 906 793	1 566	-	44 908 359
Cash and cash equivalents	20	-	-	37 137 448	37 137 448
		<u>44 906 793</u>	<u>1 566</u>	<u>37 137 448</u>	<u>82 045 807</u>
31 December 2010 - Society					
Short term investments	14	49 593 548	1 665	-	49 595 213
Cash and cash equivalents	20	-	-	23 234 519	23 234 519
		<u>49 593 548</u>	<u>1 655</u>	<u>23 234 519</u>	<u>72 829 732</u>
31 December 2009 - Society					
Short term investments	14	44 906 793	1 566	-	44 908 359
Cash and cash equivalents	20	-	-	25 631 424	25 631 424
		<u>44 906 793</u>	<u>1 566</u>	<u>25 631 424</u>	<u>70 539 783</u>

26. Retirement benefits

The group contributes to the following defined contribution pension plans:

26.1 Botswana Medical Aid Pension Fund which is held independent of the group and is administered by Glenrand MIB.

26.2 Senthaga Pension Fund which is held independent of the group and is administered by Aon Botswana.

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

27 Restatements

Restatements of Group's property, plant and equipment, goodwill, deferred taxation, retained funds and minority interest

The group financial statements excluded the fair value of certain land and buildings acquired through the subsidiary at date of acquisition. This is not in accordance with IFRS 3 Business Combinations which requires assets to be consolidated at fair value at date of acquisition. This error was rectified retrospectively in accordance with IAS 8 as follows:

27.1 Property, plant and equipment

The restatement was required for the leasehold land and buildings and related depreciation charge.

	Group 2009 Restated	Group 2008 Restated
Leasehold land and buildings - cost		
Amount previously disclosed	13 258 857	13 259 827
Restatement to fair value in 2008	4 750 000	4 750 000
	<u>18 008 857</u>	<u>18 009 827</u>
Leasehold land and buildings – accumulated depreciation		
Amount previously disclosed	1 502 315	1 199 312
Effect of restatement to fair value in 2008	221 350	110 675
	<u>1 723 665</u>	<u>1 309 987</u>
Depreciation		
Amount previously disclosed	1 732 022	828 326
Effect of restatement to fair value in 2008	110 675	110 675
	<u>1 842 697</u>	<u>939 001</u>
27.2 Goodwill		
Amount previously disclosed	2 227 868	2 227 868
Effect of restatement to fair value in 2008	(1 856 775)	(1 856 775)
	<u>371 093</u>	<u>371 093</u>
27.3 Deferred taxation		
Amount previously disclosed	81 413	
Effect of restatement to fair value in 2008	1 187 500	
	<u>1 268 913</u>	

Notes to the financial statements

for the year ended 31 December 2010 (in Pula) (Cont.)

27 Restatements (continued)

	Group 2009 Restated	Group 2008 Restated
27.3 Accumulated funds		
Amount previously disclosed	96 629 926	85 704 503
Effect of revaluation to fair value in 2008	(73 939)	(57 684)
	<u>96 555 987</u>	<u>85 646 819</u>
27.4 Minority interest		
Amount previously disclosed	8 153 716	8 740 796
Effect of revaluation to fair value in 2008	1 558 313	1 652 734
	<u>9 712 029</u>	<u>10 393 530</u>

Notice of the 40th Annual General Meeting

Notice is hereby given that the 40th Annual General Meeting (AGM) of the Botswana Medical Aid Society will be held in Gaborone at Gaborone Sun Conference Centre on Thursday 30th June 2011 at 10:00hrs.

AGENDA

1. Adoption of the Agenda
2. Chairman's Report
3. Minutes of the 39th Annual General Meeting held on 30th June 2010
4. Chief Executive Officer's Report
 - 4.1 Report on matters from last AGM
 - 4.2 2010 Report
5. Presentation and Adoption of the Audited Financial Statements of the year ended 31st December 2010
6. Appointment of Auditors to the Society for the ensuing year
7. Approve the continuation of members of the Board of Management who retire in terms of rule 19(4) read with rule 19(18) and being eligible offer themselves for re-election

NAME

CONSTITUENT BODY

Ms. R.M Mgadla	Botswana Power Corporation (BPC)
Mr. S. Bogatsu	First National Bank Botswana (FNBB)

NOTE: The following documents have been mailed to constituent bodies;

1. Copy of Annual Report of the Society for the year ended 31st December 2010
2. Copy of minutes of the Annual General Meeting held on the 30th June 2010

By order of the Board



.....

B Debele

Board Secretary



.....

Dennis Alexander

Chief Executive Officer

Gaborone

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