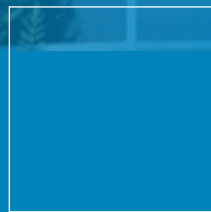
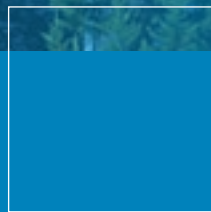
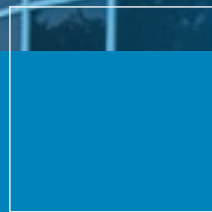


BOM *aid*

BOTSWANA MEDICAL AID SOCIETY

The medical aid you can trust



Annual Report 2008

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Board Members



Dennis J Alexander
Chief Executive Officer



Abel Bogatsu
Chairman
University of Botswana



Keona Mphethe
Vice Chairman
Chairman - Appeals and
Service Quality
Stanbic Bank



Sheillah Sealetsa
Chairman - Finance, Risk and
Audit Committee
Bank of Botswana



Masego Mookodi
Chairman-Staff Welfare and
Compensation Committee
National Development Bank



Abel W Modimo
Modimo and Associates



Doreen Ncube
Barclays Bank of Botswana



Tebogo Seleka
The Botswana Institute for
Development Policy Analysis



Felicia Sebeela
Standard Chartered Bank



Rebecca Mgadla
Botswana Power Corporation



Steven Bogatsu
First National Bank Botswana

Senior Management



Bangwato Sikwa
Manager Strategic Business



Prince Maele
Human Resources Manager
Board Secretary



Biya Debele
Finance Manager



Constance Matabiswana
Manager Operations

Chairmans' Report

“To achieve the best results calls for an unwavering commitment and a focused approach in all facets of the business.”



Abel Bogatsu
Chairman



OVERVIEW

At this time of the year, we look back and take stock of our achievements and challenges over the past twelve months. It is with great pleasure that I am able to report that the Society has made an impressive turnaround during the year to 31st December, 2008 following the difficulties experienced in the previous two years.

The year under review was not without challenges for the private health care industry as a whole and BOMaid in particular. In common with much of the rest of the world, Botswana experienced a mixed set of economic developments during the year. Coupled with the ever high medical inflation which has once again far exceeded the general rate of inflation was the higher food and fuel prices and the power supply problems in Southern Africa.

Above all, the final quarter of year 2008 was a period of deepening crisis as global financial and economic conditions deteriorated sharply. During this period, financial systems in several major economies came close to collapse and as the year came to an end, it became apparent that what had started as a financial crisis had developed into a major economic crisis, with growth rates collapsing around the world as major economies entered recession. While almost all countries will be negatively affected by the crisis, the type and scale of impact will vary.

It is this challenge and many others that has forced us to come up with new and innovative means to secure the future of BOMaid. Against this backdrop,

the starting whistle was blown and the real game of turning around our performance began. The necessary interventions were effected during the year under review to turn the deficit results of the previous two years into a healthy surplus of P5.8 million. We demonstrated our ability to respond swiftly to the ever challenging needs of our industry.

Notwithstanding the above, the year under review had highlights worth mentioning. At the national level it ushered in the change of administration with the inauguration of the fourth president of the Republic of Botswana whose administration was underpinned by the four principles, democracy, development, dignity and discipline.

In order to develop an efficient and robust medical aid industry, the support of a strong emergency medical evacuation system is not only necessary but also inevitable. To this end, the Society acquired majority shareholding in Medical Rescue International Botswana Limited. The acquisition was necessitated by the desire to complement our products and provide a holistic health care package to our members.

MARKETING

In an industry that is characterized by fierce competition such as ours, marketing is the cutting edge of our corporate strategy. It is what and how we market our products that make us the most celebrated and sought after brand second to none.

HUMAN RESOURCES

The cornerstone of the Society's human resources policy is to empower its people to perform. As a service based organization, we strive to make employees our competitive advantage. We believe strongly that human capital is the cornerstone of value creation and that our employees represent our success. We are as good as the quality of our people, hence we attract, recruit, retain and develop self-starters who have a passion for what they do.

While we value our employees' diversity and empower them, we also create an environment in which they secure their own employability within the organization. The Society has always placed considerable importance on the human resources management and development strategy to enhance its competitiveness by investing in education and training. The human resources interventions are therefore key to ensure attainment of our vision.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility focuses on how companies relate to external stakeholders, to the market place, to government and to society as a whole. The Society believes that it has the responsibility to make a positive contribution to the lives of individuals and communities in Botswana. In line with this, the Society's corporate social investment initiatives concentrate on assisting the communities in which it operates through investment in education, health, road safety and HIV/AIDS.

In the year under review, the Society has once more made monetary contributions to various charitable organizations, supporting their fundraising activities. It has participated and presented in three school prize giving ceremonies. At these ceremonies, two computers were donated to Makaleng Community Junior Secondary School (CJSS) in Makaleng Village and Mannathoko CJSS in Serowe while a cash donation was made to Monare Primary School in Thamaga Village.

ETHICS AND CORPORATE GOVERNANCE

The Society is committed to the principles of good corporate governance and to applying the highest ethical standards in conducting business. The Society further endorses the principles of openness, integrity and accountability advocated by the Code of Corporate Practices and Conduct set out in the King II Report on Corporate Governance.

In addition to subscribing to the principles of King I and II, business process and governance practice have been refined over the years in response to developing trends in local and international best practice. The Society believes that a corporate culture of compliance with all applicable laws and procedures is a core competence of good corporate governance and that this culture of good governance serves to maximize sustainable returns and to provide all stakeholders with the assurance that the Society's business is being managed appropriately.

The Society's Board operates under an approved charter which regulates the way business is conducted by the Board. The charter is modeled on the principles recommended by King II, incorporates the powers of the Board, provides a clear division of responsibilities and sets out the accountability of Board members, collectively and individually, to ensure an appropriate balance of power and authority.

While responsible for overseeing the activities of the Society, it is the responsibility of the Board to maintain a system of internal controls. The preparation and integrity of the annual financial statements and related financial information contained in this Annual Report is also the responsibility of the Board. The independent auditors are responsible for independently auditing and reporting on these financial statements.

The Board meets regularly throughout the year. The Board has established three (3) Committees being Finance, Risk and Audit, Staff Welfare and Compensation and Appeals and Service Quality Committees to assist in the execution of

its responsibilities. However, it retains the overall responsibility for activities of the Society, including the implementation of corporate strategy.

OUTLOOK

Like many other developing countries, Botswana is highly trade-dependant, integrated into the regional and world economies, and the reduction in global trade and economic growth is already having a negative impact on demand for Botswana's exports. The global recession will affect demand for exports across the board, including all three of the country's major exports, diamonds, copper-nickel and tourism. All three industries will suffer reduced earnings, and are likely to retrench staff.

In this connection, the challenges that come with the global recession require sustained measures to both increase membership and control costs. The Board is confident about the performance prospects for the forthcoming year. To achieve the best results calls for an unwavering commitment and a focused approach in all facets of the business. We must all embrace sound management principles that culminate in the development of a strong and healthy scheme.

I am confident that the Society is in a position to timeously identify risks and opportunities in order to excel. The quality of our staff and benefits affords us to be proactive in the analysis of service package to our valued members, and maintain our position as industry leaders. The Journey, however is still long but with commitment and dedication of all stakeholders, we shall continue to make history.

CONCLUSION

Given the challenges mentioned elsewhere in this report, the results of this past year represent a commendable effort by management and staff. They have had to dig deeper to keep the Society ahead of the pack. The challenges of the year under review necessitated substantial time and effort over and above their already daily demanding responsibilities. Their enthusiasm and commitment is also demonstrated by continuously achieving

positive membership growth in a highly competitive environment. I extend my thanks not only to them but also to their families for the support.

The guidance, devotion and support that I got from my fellow Board members was significant and beyond reproach. It was indeed a privilege for me to work with such consummate professionals of limitless energy and wisdom. I am confident to confirm that as the Board, we are well positioned for the challenges of the future and will continue to confront and help resolve the fundamental problems of the industry.

To our members, thank you for your continued loyalty and support. The strength of the Society is in the numbers of its members. We undertake to tirelessly pursue continuous improvement while we remain the medical aid you can trust. The foundation is well laid and, I believe you will derive joy and comfort in knowing that yours is "the medical aid of choice" giving you peace of mind.

To our service providers, thank you for the trust and service rendered to our members. The relationships that have been formed over the years must be strengthened and nurtured as it can take us to greater heights and create a win-win situation for the benefit of our members, your patients.



Chief Executive's Report

“As anticipated, the Society has pulled itself out of the negative deficit position of 2006 and 2007 and reflect a Fund net surplus of P5,8 mln for the year 2008 with the BOMaid Group net surplus standing at P5,6 mln.”



Dennis J Alexander
Chief Executive Officer



It once more gives me great pleasure and I am indeed privileged to present to you the membership my report on the operational performance of our Society for the year 2008.

In her remarks last year, our then outgoing Chairman noted that “We have tilled the soil, planted the seeds and should root ourselves for growth”.

We had come to the end of the three year period over which we had planned to realign our costing structure in a phased approach and were looking to the ensuing year to see the outcomes of our decisions. The decision then, was one part of our short to medium term strategy to stabilise and maintain our member base. All along your Board and management appreciated the pressure this would put on the financial performance of the Society hence the bold statement by the Chair as quoted above.

GENERAL OVERVIEW

As was evident during the latter part of the year, the outturn of our Botswana economy, and more specifically, our own results did not escape the overall negative pressure and effects of the global economic and financial performance. The fourth quarter of the year in particular saw further pressure on global stocks the effects of which has seen our own value of assets take a substantial knock during the period. As the nature of our business is long term, we take the view that this negative position will correct itself within the medium term therefore it is imperative for us to be willing to “ride the crest” so as to achieve anticipated value on the upturn.

Strategic decisions taken as far back as 2005 to turn around the performance of the Society have,

during the second half of 2008, had the additional challenges of outside factors. Higher inflation as a result of higher food and fuel prices had its effect on private health care delivery costs.

Our Chairman, in his statement to members, reported on the acquisition of a controlling stake in Medical Rescue International Limited (MRI) during 2008. The Society, now holds 52.9% of MRI with our strategic partner Ceda Venture Capital Fund holding 39%, Motor Vehicle Accident Fund (MVAf) 4.1% and the remaining 4.0% with various individuals.

Our primary objective in this investment was to ensure continuous long term stability in the ongoing provision of a service critical in our delivery service chain to members. This investment too had to brace itself against the challenges of the overall economic downturn evident in the latter part of the year where anticipated mining contracts did not materialise as the mining sector grappled with its challenges. We anticipate this position to once more be a short term challenge which is being addressed by the management responsible.

Our reporting therefore for 2008 recognises MRI as a subsidiary hence the consolidation of our financial results.

THE GROUP

As anticipated, the Society has pulled itself out of the negative deficit position of 2006 and 2007 and reflect a Society net surplus of P5,8 mln for the year 2008 with the BOMaid Group net surplus standing at P5,4 mln.

THE SOCIETY

Specific to the Society, our operations yielded a contribution of P20,0 mln in 2008 against the P11,4 mln in 2007 or an improvement of 76.1%.

The unpredictable nature of our claims experience has had a direct effect on our final outturn. There is however still work to be done in order to achieve and maintain a respectable operating result. This challenge will continue as we are mindful at all times of the pricing sensitivity around our product and the market we service.

Our investment in Information, Communication and Technology is allowing us to operate more efficiently and is assisting towards our goal of service excellence. A new fresh look informative and interactive website was put in place during this year, which when commissioned will allow members direct access into their own records. It will also allow service providers a direct query facility.

Our electronic claim modules are now fully functioning thereby shortening the claims submission and payment processes and have improved accuracy of processing.

Year end principal membership stands at 27,903 and covers a total of 62,930 lives, reflecting a growth of 5,2% in principal members over our 2007 figure.

FINANCIAL PERFORMANCE

Income Statement

Subscription income for the year amounted to P195,9 mln, an increase of 13,2% over that of 2007. The increase in revenue is attributable to the unit increase of 8% in subscriptions at the beginning of 2008 further augmented by the membership growth.

On the other hand claims incurred during the year (net of capped fee paid to MRI for emergency rescue services) amounted to P 171,5 mln, a year on year increase of 8,7%.

Total claims payout of P175,9 mln reflects a payout ratio of 89,8% of subscriptions income or 9,8% above our target ratio of 80%.

Hospitalization benefit costs of P50,9 mln account for 28.9% of our total claims payout, reflecting a 2,5% improvement over the 31,4% ratio achieved in 2007.

Consultation, medication, rehabilitation and chronic medicine cost of P89,4 mln account for 50,8% of total claims paid out and are in line with the 49,2% ratio reflected in the previous period.

Net direct expenditure on our Special Benefit Fund program amounted to P 7,1 mln or 3,6% of subscription income and therefore just on the edge of our target set at 3,5% .

With operating costs amounting to P 21,7mln or 11.1% of subscription income and investment income of P 8,4 mln we reflect a year end surplus of P5,8 mln for the Society.

Balance Sheet

The Society's investment portfolio closed the year lower than last year due to the then unfolding global market crisis. As reflected on the revaluation reserve, the investment portfolio at year end was P28 mln lower than the previous year. However, as already mentioned, it is expected that this will be reversed as the global economic situation improves.

Despite these challenges, the Society continues to post a healthy balance sheet with the BOMaid Group total assets standing at P223,7 mln.

OTHER KEY DEVELOPMENTS IN 2008

During the year under review other key strategic developments undertaken included the full take on of the central and electronically switching of our hospital and laboratory claims. This process involves the clearing of claims through a "central clearing house" with our rules built into the central system. Claims are received, where first line adjudication takes place and then forwarded electronically direct into our system for further underwriting. This has had the effect of us reducing our turnaround time to those suppliers to well under the targeted fourteen days.

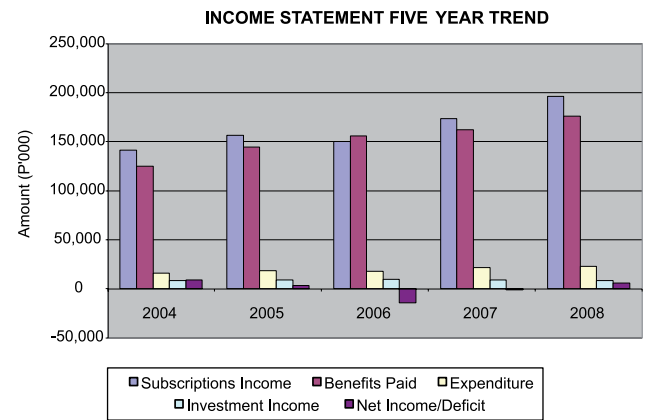
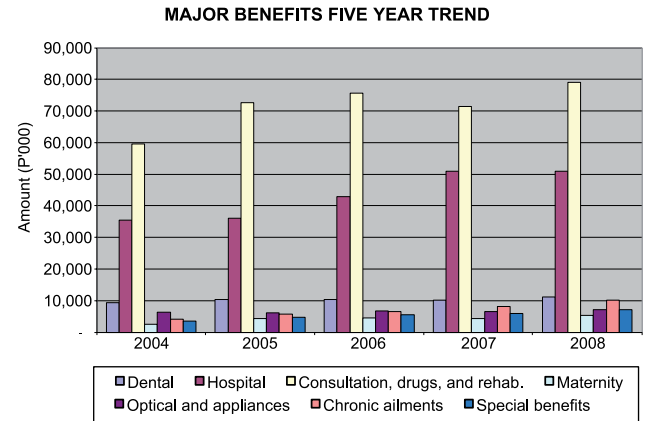
FUTURE OUTLOOK

In the year to come, we will continue to focus and walk the path set out by our vision "to be the medical aid of choice". As has been the case in the past we will continue to assess our relevance to the membership we serve and will not hesitate to make strategic changes where necessary to ensure we achieve and surpass the expectations of members.

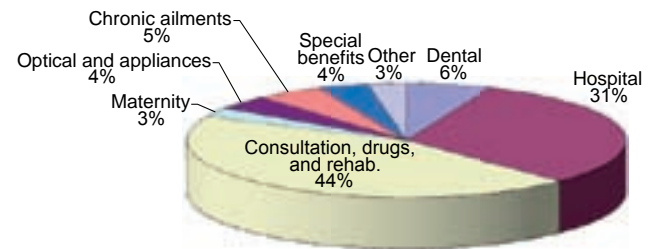
Focus in the coming year will be on our organisation to ensure its alignment to our overall strategy. As we recognise our staff to be our most valuable asset, we will do the necessary training and development and where applicable recruitment to ensure appropriate levels and in the process strive to achieve individual satisfaction and achievement in the BOMaid family.

CONCLUSION

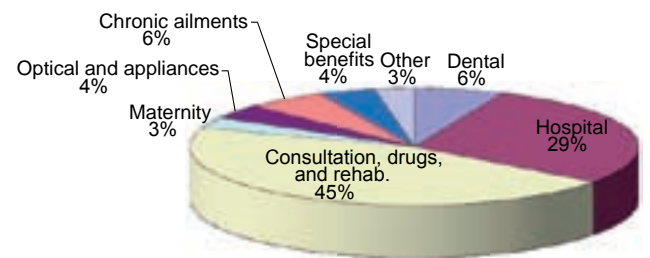
As we continue to strive for greater heights we must not forget those who make it possible for us to get there. It is in this regard that I would like to personally thank first and foremost our membership for the unwavering support you have given me and my team in the past few difficult years, to our Chairman and fellow Board colleagues for their confidence and continuous support and my staff for their loyalty and dedication and even in difficult times always looking



2007 BENEFITS PAID ANALYSIS



2008 BENEFITS PAID ANALYSIS



General Information

BBOARD OF MANAGEMENT

A A Bogatsu	(Chairman)
K. Mphetlhe	(Vice Chairman, Appointed 28 June 2008)
D J Alexander	
O Ratshosa	(Retired 28 June 2008)
D Ncube	
S M Sealetsa	
T Seleka	
M Mookodi	
A Modimo	
F Sebeela	
R. M. Mgadla	(Appointed 28 June 2008)
S. Bogatsu	(Appointed 28 June 2008)

CHIEF EXECUTIVE OFFICER

D J Alexander

SECRETARY

P Maele

BUSINESS ADDRESS

Plot 50638, Fairgrounds Office Park, Gaborone

AUDITORS

KPMG
P.O. Box 1519
Gaborone

BANKERS

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

Annual Financial Statements

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BOARD OF MANAGEMENT'S APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The board members are responsible for the preparation and fair presentation of the group annual financial statements, comprising the balance sheets at 31 December 2008, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

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

The board members have 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.

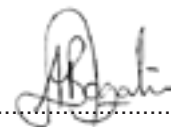
The auditor is responsible for reporting on whether the annual group financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements:

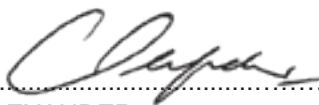
The group annual financial statements were approved by the board members on the 28th May 2009 and signed on their behalf by:



.....
S M SEALETSA
CHAIRMAN FINANCE, RISK AND AUDIT COMMITTEE



.....
A BOGATSU
BOARD CHAIRMAN



.....
D J ALEXANDER
CHIEF EXECUTIVE OFFICER



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

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

Independent Auditors Report to the Members of Botswana Medical Aid Society

Report on the Financial Statements

We have audited the group and society financial statements (the financial statements) of Botswana Medical Aid Society, set out on pages 12 to 36, which comprise the balance sheets as at 31 December 2008, and the income statements, statements of changes in equity and cash flow statements 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 members are 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 as at 31 December 2008, and of the society and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

.....2009

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

Income Statement

for the year ended 31 December 2008

	Notes	GROUP 2008 P	SOCIETY 2008 P	2007 P
Revenue		203,338,603	195,965,535	173,148,894
Cost of services				
Benefits Paid				
- Dental		11,235,393	11,235,393	10,102,729
- Hospital		50,943,428	50,943,428	50,844,821
- Consultation, drugs and rehabilitation		79,134,260	79,134,260	71,466,741
- Maternity		5,264,208	5,264,208	4,221,946
- Optical and appliances		7,047,385	7,047,385	6,484,429
- Funeral		378,000	378,000	399,450
- Medical Rescue International		2,351,687	4,499,856	4,047,414
- Chronic ailments		10,221,585	10,221,585	8,123,763
- Special benefits	1	7,105,499	7,105,499	5,923,513
- Legal expenses		131,511	131,511	177,121
Direct costs		6,544,088	-	-
		180,357,044	175,961,125	161,791,927
Contribution surplus		22,981,559	20,004,410	11,356,967
Other operating income		211,796	-	-
Expenditure				
Depreciation		1,457,021	831,892	828,326
Administration expenses		25,619,941	21,718,425	20,624,477
		27,076,962	22,550,317	21,452,803
Operating deficit	2	(3,883,607)	(2,545,907)	(10,095,836)
Interest received	3	6,254,410	5,449,703	5,716,086
Interest paid		(23,200)	-	-
Dividend and other income	4	2,924,014	2,924,014	3,097,351
		9,155,224	8,373,717	8,813,437
Surplus/(deficit) before taxation		5,271,617	5,827,810	(1,282,399)
Taxation	5	158,418	-	-
Surplus/(deficit) for the year		5,430,035	5,827,810	(1,282,399)
Attributable to:				
Minority		(190,455)	-	-
Members of the society		5,620,490	-	-
		5,430,035	-	-

Balance Sheet

As at 31 December 2008

	Notes	GROUP 2008 P	SOCIETY 2008 P	2007 P
Assets				
Non-current assets				
Property, plant and equipment	6	16,264,036	10,480,488	10,448,225
Goodwill	7	2,227,868	-	-
Investments in subsidiaries	8	-	11,950,023	-
Other investments at fair value through equity	9	126,744,918	126,744,918	157,487,118
Deferred taxation	10	59,491	-	-
		<u>145,296,313</u>	<u>149,175,429</u>	<u>167,935,343</u>
Current assets				
Inventory	11	605,775	498,237	385,066
Trade receivables	12	8,028,566	4,753,250	5,554,966
Other receivables	13	988,908	988,908	539,511
Accrued interest receivable		12,152	12,152	66,090
Short term investments	14	40,811,534	40,811,534	44,056,500
Cash and cash equivalents	20	27,963,443	16,350,408	16,251,089
Taxation refundable		23,637	-	-
		<u>78,434,015</u>	<u>63,414,489</u>	<u>66,853,222</u>
Total assets		<u>223,730,328</u>	<u>212,589,918</u>	<u>234,788,565</u>
Equity				
Funds and reserves				
Accumulated funds		81,718,093	81,925,413	75,850,898
Minority interest		8,740,796	-	-
Low claims reserve		525,887	525,887	541,228
BOMAID disease management reserve		3,986,410	3,986,410	4,233,115
Revaluation reserve	15	99,989,057	99,989,057	128,004,704
		<u>194,960,243</u>	<u>186,426,767</u>	<u>208,629,945</u>
Non-current liabilities				
Finance lease obligations	16	293,288	-	-
Current liabilities				
Deferred rental liabilities	17	3,627	-	-
Trade and other payables	18	7,224,083	5,054,759	5,549,646
Subscriptions received in advance	19	918,801	918,801	601,785
Outstanding cheques for claims	20	5,739,160	5,739,160	4,422,433
Provision for outstanding claims	21	14,450,431	14,450,431	15,584,756
Current portion of finance lease obligations	16	140,695	-	-
		<u>28,476,797</u>	<u>26,163,151</u>	<u>26,158,620</u>
Total equity and liabilities		<u>223,730,328</u>	<u>212,589,918</u>	<u>234,788,565</u>

Cash Flow Statement

for the year ended 31 December 2008

	GROUP	SOCIETY	
	2008	2008	2007
	P	P	P
OPERATING ACTIVITIES:			
Surplus/(deficit) for the year	5,271,617	5,827,810	(1,282,399)
Adjustments for			
Depreciation	1,457,021	831,892	828,326
Profit on disposal of investments	(26,947)	-	-
Profit on disposal of plant and equipment	(146,070)	-	-
Movement in operating lease accrual	(12,743)	-	-
Increase in impairment loss accrual	964,550	-	-
Interest paid	23,200	-	-
Interest received	(6,254,410)	(5,449,703)	(5,716,086)
Dividends received	(2,782,892)	(2,782,892)	(2,919,560)
Cash used in operations	(1,506,674)	(1,572,893)	(9,089,719)
Movement in trade receivables	(663,964)	801,716	(3,092,723)
Movement in other receivables	158,897	(449,397)	(2,201)
Movement in accrued interest receivable	53,938	53,938	(59,943)
Movement in inventories	(67,716)	(113,171)	(99,638)
Movement in subscriptions received in advance	317,016	317,016	143,962
Movement in trade and other payables	(316,870)	(494,887)	2,834,957
Movement in provision for outstanding claims	(1,134,325)	(1,134,325)	5,512,059
Cash used in operating activities	(3,159,698)	(2,592,003)	(3,853,246)
Interest paid	(23,200)	-	-
Taxation refunded	180,128	-	-
Net cash used in operating activities	(3,002,770)	(2,592,003)	(3,853,246)
INVESTING ACTIVITIES:			
Net purchase of investments	(9,223,470)	(9,223,470)	-
Purchase of plant and equipment	(1,737,477)	(864,155)	(208,168)
Proceeds on disposal of investments	1,064,587	-	-
Proceeds on disposal of plant and equipment	267,637	-	-
Interest received	6,254,410	5,449,703	5,716,086
Dividends received	2,782,892	2,782,892	2,919,560
Net cash (used in)/generated from investing activities	(591,421)	(1,855,030)	8,427,478
FINANCING ACTIVITIES:			
Finance obtained	474,327	-	-
Capital repayment of finance lease obligation	(40,344)	-	-
Benefits paid through low claims reserve	(15,341)	(15,341)	(19,329)
Net cash generated from/(used in) financing activities	418,642	(15,341)	(19,329)
Net (decrease)/increase in cash and cash equivalents	(3,175,549)	(4,462,374)	4,554,903
Cash and cash equivalents at beginning of year	66,211,366	55,885,156	51,330,253
Cash and cash equivalents at end of year 20	63,035,817	51,422,782	55,885,156
Represented by:			
Short term investments	40,811,534	40,811,534	44,056,500
Outstanding cheques for claims	(5,739,160)	(5,739,160)	(4,422,433)
Bank balances and cash	27,963,443	16,350,408	16,251,089
20	63,035,817	51,422,782	55,885,156

Statement of Changes in Equity

for the year ended 31 December 2008

GROUP

	Accumulated funds P	Disease management reserve P	Low claim reserve P	Revaluation reserve P	Total P
Balance at beginning of period	75,850,898	4,233,115	541,228	128,004,704	208,629,945
Accumulated funds of subsidiary at date of acquisition	8,931,251	-	-	-	8,931,251
Surplus for the year	5,430,035	-	-	-	5,430,035
Transfers during the year	(6,858,794)	6,858,794	-	-	-
Payments during the year	7,105,499	(7,105,499)	(15,341)	-	(15,341)
Net current period revaluation	-	-	-	(28,015,647)	(28,015,647)
Balance at 31 December 2008	90,458,889	3,986,410	525,887	99,989,057	194,960,243
Minority interest	8,740,796	-	-	-	8,740,796
Members of the society	81,718,093	3,986,410	525,887	99,989,057	186,219,447
Group balance at 31 December 2008	90,458,889	3,986,410	525,887	99,989,057	194,960,243

SOCIETY

	Accumulated funds P	Disease management reserve P	Low claim reserve P	Revaluation reserve P	Total P
Balance at 1 January 2007	77,269,995	4,096,417	560,557	101,033,936	182,960,905
Deficit for the year	(1,282,399)	-	-	-	(1,282,399)
Transfers during the year	(6,060,211)	6,060,211	-	-	-
Payments during the year	5,923,513	(5,923,513)	(19,329)	-	(19,329)
Net current year revaluation	-	-	-	26,970,768	26,970,768
Balance at 31 December 2007	75,850,898	4,233,115	541,228	128,004,704	208,629,945
Surplus for the year	5,827,810	-	-	-	5,827,810
Transfers during the year	(6,858,794)	6,858,794	-	-	-
Payments during the year	7,105,499	(7,105,499)	(15,341)	-	(15,341)
Net current year revaluation	-	-	-	(28,015,647)	(28,015,647)
Balance at 31 December 2008	81,925,413	3,986,410	525,887	99,989,057	186,426,767

Significant Accounting Policies

for the year ended 31 December 2008

The consolidated financial statements comprise the separate financial statements of the society and its subsidiaries (together referred to as the "group").

STATEMENT OF COMPLIANCE

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

BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements are presented in Botswana 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 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 IFRSs requires management to make judgments, 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.

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 is recognised in the income statement when the following conditions have been satisfied:

- The group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 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 services is exclusive of VAT and discounts granted and recognised in the income statement when the following conditions have been satisfied:

- The amount of the revenue can be measured reliably;
- The stage of completion of the transaction at the balance sheet 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.

Significant Accounting Policies (continued)

for the year ended 31 December 2008

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

Interest income is accrued on a time 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 income statement in the period in which these expenses are incurred using the effective interest rate method.

LOW CLAIM 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.

BOMAID DISEASE MANAGEMENT RESERVE

Three and a half percent of annual subscriptions is transferred each year from the operating surplus to a disease management reserve. Costs incurred by the society are charged against this reserve. Any surpluses on the reserve are carried forward to the ensuing financial year, whilst deficits are funded from accumulated funds. The reserve is however available for other purposes as may be determined by the management committee and members.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, with the exception of certain 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 at costs. 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 balance sheet date.

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 following useful lives are used in the calculation of depreciation:

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

Significant Accounting Policies (continued)

for the year ended 31 December 2008

Gains and losses on disposal of property, plant and equipment items are determined by comparing proceeds with the carrying amount and included in the income statement.

INVENTORY

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

The cost of inventories is based on the first-in-first-out basis and includes expenditure incurred in acquiring the inventories and bring them to their existing location and condition. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

RETIREMENT BENEFITS

Pension is provided for all qualifying employees through separate pension funds to which the group contributes. These funds are defined contribution plans and are thus exempt from actuarial valuations. Gratuities are paid to qualifying employees at the end of their contracts.

PROVISION FOR OUTSTANDING CLAIMS

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 the claims.

IMPAIRMENT

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of the assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

When an impairment loss subsequently reserves the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of impairment loss is recognised as the income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the revaluation reserve.

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. The group derecognises a financial asset when it loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. A financial liability is derecognised when it is legally extinguished.

PROVISIONS

A provision is recognised in the balance sheet when the group has a legal or constructive obligation as a result of a

Significant Accounting Policies (continued)

for the year ended 31 December 2008

past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of 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.

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

EMPLOYEE BENEFITS

Employee entitlements to annual leave, bonuses, medical aid and gratuities are recognised when they accrue to employees and a provision is made for the estimated liability as a result of services rendered by the employee up to the balance sheet date.

TAXATION

Current tax

No provision for taxation is required in the society's separate financial statements, as it is exempt from taxation in terms of the second schedule of the Income Tax Act (Chapter 52:01). However, for the purposes of the group financial statements, the following policies apply with respect to the subsidiary entities:

Tax is provided at current tax rates on the taxable income for the year taking into account income and expenditure which is not subject to tax and tax effects of charges and credits, including depreciation, attributable to the periods other than the current year.

Deferred tax

Deferred taxation is provided using the balance liability method, on temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of property, plant and equipment and deferred rental liabilities. Tax rates enacted or substantially enacted at the balance sheet date are used to determine deferred income taxes.

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 at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available against which the unutilised tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

FINANCIAL INSTRUMENTS

Financial assets

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

Significant Accounting Policies (continued)

for the year ended 31 December 2008

Bank balances, cash and short term investments

Bank balances, cash and short term investments 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 change in value.

Trade and other amounts receivables

Trade and other amounts receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance for irrecoverable amounts is recognised in the income statement when collection of the full amount is no longer probable.

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 income statement.

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

Interest bearing loans borrowings

Interest bearing loans and borrowings are initially recognised at cost, being the fair value of the consideration received and include acquisition charges associated with the borrowing/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 income statement when the liability is derecognised or impaired, as well as through the amortisation process.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet 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.

Significant Accounting Policies (continued)

for the year ended 31 December 2008

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 income statement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total lease commitments and the fair value of the assets acquired, are charged to the income statement over the term of the lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 8: Operating Segments sets out requirements for disclosure of information in respect of a group's operating segments and the group's products and services, the geographical areas in which it operates, and its major customers. IFRS 8, which becomes mandatory for the group's 2009 financial statements, is not expected to have any impact on the financial statements of the group.

IFRS 2 Share-based payment: Vesting conditions and cancellations (amendment). The amendments apply to equity-settled share-based payment transactions and clarify the meaning of vesting and "non-vesting conditions", and the accounting treatment where either the group or the beneficiary of a grant chooses not to meet the vesting conditions. The revised IFRS 2, which becomes mandatory for the group's 2010 financial statements, is not expected to have any impact on the financial statement's of the group.

IFRS 3: Business combinations supersedes the previous IFRS 3 as issued in 2004. The standard has introduced various terminology and scope changes. IFRS 3, which becomes mandatory for the group's 2010 financial statements, is not expected to have any impact on the financial statements of the group.

Significant Accounting Policies (continued)

for the year ended 31 December 2008

IAS 1: Presentation of financial statements (revised). The main change in the revised IAS 1 is a requirement to present all non-owner changes in equity in a single statement of comprehensive income (which includes income statement line items). Under the revised standard, a statement of financial position (preferred term for “balance sheet”) has to be presented at the beginning of the comparative period when the group restates the comparatives as a result of a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. The revised IAS 1, which becomes mandatory for the group’s 2010 financial statements, will require the revised statements.

IAS 23: Borrowing Costs (revised) removes the option to expense borrowing costs and requires the group to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23, which becomes mandatory for the group’s 2010 financial statements, constitute a change in accounting policy for the group. In accordance with transitional provisions, the group will apply the revised IAS 23, to qualifying assets from which capitalisation of borrowing costs commences on or after the effective date.

IAS 32 and IAS 1 amendment: Puttable Financial Instruments and Obligations. Puttable financial instruments and obligations arising on liquidation require certain financial instruments that would ordinarily meet the definition of a financial liability to be classified as equity. These instruments must meet certain criteria as set out in IAS 32. The revision to the standard, which becomes mandatory for the group’s 2010 financial statements, is not expected to have any impact on the financial statements of the group.

IAS 27: Consolidated and separate financial statements (amendment). Consequential amendments have been made to IAS 27 Consolidated and Separate Financial Statements as a result of the revised IFRS 3 Business Combinations. The amendments relate mainly to the accounting for changes in the non-controlling (minority) interest in a subsidiary and the loss of control in a subsidiary. The revision, which becomes mandatory for the group’s 2010 financial statements, is not expected to have any impact on the financial statements of the group.

GOODWILL

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is considered to have indefinite useful life and is therefore not subject to amortisation. Goodwill is tested annually for impairment.

Notes to the Financial Statements

for the year ended 31 December 2008

	GROUP	SOCIETY	
	2008	2008	2007
	P	P	P
1 SPECIAL BENEFITS			
Drugs and laboratory tests	9,240,481	9,240,481	8,361,020
Other expenses	407,093	407,093	213,215
Staff salaries	871,955	871,955	830,259
Recoveries from members	(3,414,030)	(3,414,030)	(3,480,981)
	<u>7,105,499</u>	<u>7,105,499</u>	<u>5,923,513</u>
2 OPERATING DEFICIT			
The operating deficit is stated after taking into account the following items requiring separate disclosure:			
Audit fee - current year	242,750	162,750	150,476
- prior year	116,993	47,600	-
Cash losses	600,000	-	-
Directors fees - fees	94,579	53,655	73,080
- remuneration	426,576	-	-
Profit on disposal of investments	(26,947)	-	-
Movement in impairment loss accrual	964,550	-	-
Depreciation	1,457,021	831,892	828,326
Foreign exchange gain	(633,122)	(632,580)	(173,461)
Profit on disposal of plant and equipment	(146,070)	-	-
Staff costs	<u>18,462,403</u>	<u>14,211,243</u>	<u>13,078,623</u>
3 INTEREST RECEIVED			
Call deposits	997,466	916,505	803,821
Short term deposits	5,256,944	4,533,198	4,912,265
	<u>6,254,410</u>	<u>5,449,703</u>	<u>5,716,086</u>
4 DIVIDEND AND OTHER INCOME			
Dividends received	2,782,892	2,782,892	2,919,560
Agency commission	127,602	127,602	179,312
Sundry income	15,498	15,498	1,025
Agency expenses	(1,978)	(1,978)	(2,546)
	<u>2,924,014</u>	<u>2,924,014</u>	<u>3,097,351</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

5 TAXATION

	GROUP 2008 P	SOCIETY	
		2008 P	2007 P
Deferred tax credit	158,418	-	-

No tax has been provided in the group financial statements as the group has calculated tax losses of P1 075 453 available for off-set against future taxable income. Tax losses fall away after five years if not utilised. The calculated tax loss of P 1 075 453 is scheduled to fall away in the 2014 tax year.

Tax reconciliation			
Surplus/(deficit) before taxation	4,692,608	5,231,069	(1,282,399)
Taxation at 25% statutory rate	1,173,152	1,307,767	-
Income exempt from income tax	(1,307,767)	(1,307,767)	-
Expenses not deductible for tax	(73,474)	-	-
Prior year over provision	49,671	-	-
Tax per income statement	(158,418)	-	-

The group has P1 041 613 of additional company tax (ACT) available to be off-set against withholding tax on future dividends. ACT reserves fall away after five years if not utilised. The ACT reserves are analysed as follows:

Tax year

Prior to 2007	469,004	-	-
2007	248,765	-	-
2008	323,844	-	-
	1,041,613	-	-

The P469 004 ACT reserves relating to tax years preceding the 2007 tax year is scheduled to fall away in the 2011 tax year.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

6 PROPERTY, PLANT AND EQUIPMENT

6.1 GROUP

	Leasehold land and buildings	Motor vehicles	Computer equipment & software	Office equipment, furniture & fittings	Telephone equipment	Total
	P	P	P	P	P	P
COST OR VALUATION						
Balance at beginning of period	9,866,075	409,341	5,845,696	1,346,790	265,597	17,733,499
Acquisition of subsidiary	3,390,031	3,095,234	-	5,929,768	-	12,415,033
Additions	3,721	747,380	511,203	355,791	119,382	1,737,477
Disposals	-	(636,151)	-	(14,391)	-	(650,542)
Balance at end of period	13,259,827	3,615,804	6,356,899	7,617,958	384,979	31,235,467
DEPRECIATION						
Balance at beginning of period	630,731	329,092	5,379,185	772,261	174,005	7,285,274
Acquisition of subsidiary	290,031	2,051,960	-	4,416,120	-	6,758,111
Charge for the period	278,550	354,064	339,872	436,163	48,372	1,457,021
Disposals	-	(528,975)	-	-	-	(528,975)
Balance at end of period	1,199,312	2,206,141	5,719,057	5,624,544	222,377	14,971,431
NET BOOK VALUE						
At 31 December 2008	12,060,515	1,409,663	637,842	1,993,414	162,602	16,264,036

Leasehold land and buildings comprise of the following:

- Lot 50638 Fairgrounds, Gaborone, measures 4,386 square meters, and the property is held under a Deed of Fixed Period State Grant for fifty years from 4 February 1994. This property was independently revalued by CB Richards Ellis, Chartered Surveyor on the open market value basis in 2005. 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.
- Lot 20263, Gaborone, measures 1562 square meters, and is a freehold property of the group. This property was independently revalued to open market value basis, by Pam Golding Properties, Chartered Surveyors, for the purposes of facilitating the Society's acquisition of a controlling interest in its subsidiary from 11 July 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 on 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.

Motor vehicles with book value of P474,327 are encumbered as per note 16.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

6.2 SOCIETY

	Leasehold land and buildings	Motor vehicles	Computer equipment & software	Office equipment, furniture & fittings	Telephone equipment	Total
	P	P	P	P	P	P
COST OR VALUATION						
Balance at beginning of period	9,866,075	409,341	5,845,696	1,346,790	265,597	17,733,499
Additions	3,721	135,235	511,203	94,614	119,382	864,155
Balance at end of period	<u>9,869,796</u>	<u>544,576</u>	<u>6,356,899</u>	<u>1,441,404</u>	<u>384,979</u>	<u>18,597,654</u>
DEPRECIATION						
Balance at beginning of period	630,731	329,092	5,379,185	772,261	174,005	7,285,274
Charge for the period	234,114	100,692	339,872	108,842	48,372	831,892
Balance at end of period	<u>864,845</u>	<u>429,784</u>	<u>5,719,057</u>	<u>881,103</u>	<u>222,377</u>	<u>8,117,166</u>
NET BOOK VALUE						
At 31 December 2008	<u>9,004,951</u>	<u>114,792</u>	<u>637,842</u>	<u>560,301</u>	<u>162,602</u>	<u>10,480,488</u>
At 31 December 2007	<u>9,235,344</u>	<u>80,249</u>	<u>466,511</u>	<u>574,529</u>	<u>91,592</u>	<u>10,448,225</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 from 4 February 1994. The leasehold land and buildings were independently revalued by CB Richards Ellis, Chartered Surveyor on the open market value basis in 2005. 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 on 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 (continued)

for the year ended 31 December 2008

	GROUP 2008 P	SOCIETY 2008 P	2007 P
7 GOODWILL			
On acquisition of MRI Botswana	2,227,868	-	-

The goodwill arose on acquisition of MRI Botswana 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 assess goodwill on an annual basis for impairment.

8 INVESTMENTS IN SUBSIDIARIES

At cost

MRI Botswana	11,950,023	-
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MRI Botswana is a company incorporated in Botswana.

9 OTHER INVESTMENTS AT FAIR VALUE THROUGH EQUITY

At valuation

9.1 Available for sale listed investments - local:

FIRST NATIONAL BANK OF BOTSWANA 16 598 000 ordinary shares	33,196,000	33,196,000	44,814,600
BARCLAYS BANK OF BOTSWANA 1 590 000 ordinary shares	9,540,000	9,540,000	11,909,100
SEFALANA HOLDING CO. 707 866 (2007: 700 000) ordinary shares	2,052,811	2,052,811	2,625,000
SEFCASH 17 500 ordinary shares	258,125	258,125	245,000
SECHABA INVESTMENT TRUST CORP. 200 000 ordinary shares	2,980,000	2,980,000	3,400,000
G4S SECURITY 15 000 Ordinary shares	326,250	326,250	412,500
BOTSWANA INSURANCE HOLDINGS LIMITED 887 779 ordinary shares	7,546,122	7,546,122	15,003,465
STANDARD CHARTERED BANK LTD 500 000 ordinary shares	9,000,000	9,000,000	9,375,000
K Y S INVESTMENTS LIMITED 154 200 ordinary shares	100,230	100,230	107,940

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

	GROUP 2008 P	2008 P	SOCIETY 2007 P
9 OTHER INVESTMENTS (Continued)			
FURNITURE MART 27 060 (2007: 24 600) ordinary shares	324,720	324,720	317,340
ENGEN 30 000 ordinary shares	132,000	132,000	145,500
CHOBE HOLDINGS 56 969 ordinary shares	159,513	159,513	244,967
TURNSTAR HOLDINGS 1 000 000 linked units	1,350,000	1,350,000	1,550,000
MRI BOTSWANA 2 500 000 ordinary shares	-	-	2,625,000
	<u>66,965,771</u>	<u>66,965,771</u>	<u>92,775,412</u>
<i>At valuation</i>			
9.2 Available for sale investments - offshore:			
African Alliance - Global Income Fund	12,587,158	12,587,158	10,436,795
Botswana Insurance Fund Management offshore equities	18,482,910	18,482,910	26,722,680
Botswana Insurance Fund Management fixed interest fund	82,507	82,507	74,075
Botswana Insurance Fund Management offshore bonds	18,735,848	18,735,848	15,184,205
African Alliance - Global Allocation Fund	2,613,560	2,613,560	2,824,353
Fleming Asset Management	7,277,164	7,277,164	9,469,598
	<u>59,779,147</u>	<u>59,779,147</u>	<u>64,711,706</u>
Total investments	<u>126,744,918</u>	<u>126,744,918</u>	<u>157,487,118</u>
10 DEFERRED TAXATION			
10.1 Reconciliation			
Balance at beginning of period	(98,927)	-	-
Credit for the period	158,418	-	-
	<u>59,491</u>	<u>-</u>	<u>-</u>
10.2 Analysis of deferred tax assets			
Accelerated capital allowances on plant and equipment	(20,025)	-	-
Fair valuation of subsidiary land and building	(190,254)	-	-
Deferred rental liability	907	-	-
Taxation loss	268,863	-	-
	<u>59,491</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

	GROUP 2008 P	SOCIETY 2008 P	2007 P
11 INVENTORY			
Dispensary drugs, medicines and other consumables	605,775	498,237	385,066
12 TRADE RECEIVABLES			
Trade receivables	9,051,821	4,753,250	5,554,966
Less impairment loss accrual	(1,023,255)	-	-
	<u>8,028,566</u>	<u>4,753,250</u>	<u>5,554,966</u>
13 OTHER RECEIVABLES			
Dividends	110,670	110,670	103,175
Special Benefit Fund contributions	764,620	764,620	310,183
Other receivables	113,618	113,618	126,153
	<u>988,908</u>	<u>988,908</u>	<u>539,511</u>
14 SHORT TERM INVESTMENTS			
African Alliance	1,443	1,443	3,548,278
Fixed deposits - ABC Limited	-	-	1,723,140
- Botswana Life Insurance Limited	-	-	443,964
- Stanbic	-	-	1,850,784
- Botswana Building Society	40,810,091	40,810,091	36,490,334
	<u>40,811,534</u>	<u>40,811,534</u>	<u>44,056,500</u>
15 REVALUATION RESERVE			
<u>Available-for-sale reserve</u>			
Balance at beginning of year	124,883,582	124,883,582	97,912,814
Revaluations during the year	(28,015,647)	(28,015,647)	26,970,768
Balance at end of year	<u>96,867,935</u>	<u>96,867,935</u>	<u>124,883,582</u>
<u>Property revaluation reserve</u>			
Balance at the beginning and end of year	3,121,122	3,121,122	3,121,122
Total revaluation reserve at end of year	<u>99,989,057</u>	<u>99,989,057</u>	<u>128,004,704</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

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.

Gross finance lease liabilities - minimum lease payments

	GROUP	SOCIETY	
	2008	2008	2007
	P	P	P
Not later than 1 year	200,112	-	-
Later than one year but not more than five years	336,680	-	-
	536,792	-	-
Future finance charges on the finance lease liabilities	(102,809)	-	-
Present value of the finance lease liabilities	<u>433,983</u>	<u>-</u>	<u>-</u>
The present value of the finance lease liabilities is as follows:			
Not later than 1 year	140,695	-	-
Later than 1 year but not later than 5 years	293,288	-	-
	<u>433,983</u>	<u>-</u>	<u>-</u>

Finance charges are calculated at an effective interest rate of 16% per annum. Interest on finance leases is variable and currently charged at the prime interest rate less 1% per annum. The finance leases are secured by motor vehicles with a net book value of P 474 327.

17 DEFERRED RENTAL LIABILITY

Balance at beginning of period	16,370	-	-
Charge to the income statement	(12,743)	-	-
	3,627	-	-
Balance at end of period	<u>3,627</u>	<u>-</u>	<u>-</u>

18 TRADE AND OTHER PAYABLES

Staff related accruals	2,370,526	1,307,941	1,779,867
Audit fees	162,750	162,750	151,250
Accruals and other creditors	4,690,807	3,584,068	3,618,529
	<u>7,224,083</u>	<u>5,054,759</u>	<u>5,549,646</u>

19 SUBSCRIPTIONS RECEIVED IN ADVANCE

These are amounts which were paid by members during 2008 which relate to the 2009 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.

20 CASH AND CASH EQUIVALENTS

Cash and bank balance (note 20.1)	27,963,443	16,350,408	16,251,089
Short term investments (note 20.2)	40,811,534	40,811,534	44,056,500
Outstanding cheques for claims (note 20.3)	(5,739,160)	(5,739,160)	(4,422,433)
	<u>63,035,817</u>	<u>51,422,782</u>	<u>55,885,156</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

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 unrepresented cheques in respect of benefits (claims) paid, which had not been cleared by the bankers. 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 approximate the total value of claims which were subsequently paid within the four (4) months period in accordance with the Society rules.

22 FIDELITY COVER

In accordance with the Rules of the fund fidelity cover of P200 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 has 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.

An individual has filed a lawsuit against the group for a claim of P355 000 with interest at 10% for an accident which occurred in March 2006.

24 RELATED PARTY DISCLOSURES

24.1 Key members of management

	GROUP	SOCIETY	
	2008	2008	2007
	P	P	P
Directors' fees	94,579	53,655	73,080
Directors' remuneration	426,576	-	-
Compensation to key members of management	3,822,210	2,806,136	2,219,494
	<u>4,343,365</u>	<u>2,859,791</u>	<u>2,292,574</u>

24.2 Related party transactions

These include payments by Botswana Medical Aid Society to MRI 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 during the year was P2 148 169, and the total amount due and payable to MRI at year end was P422 397.

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

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	
	2008	2008	2007
	P	P	P
Finance lease obligations	(433,983)	-	-
Short term investments	40,811,534	40,811,534	44,056,500
Call account and money market funds	23,310,340	13,007,099	11,151,311
	<u>63,687,891</u>	<u>53,818,633</u>	<u>55,207,811</u>

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

	2008	2007
Rand call	3.075% per annum	3.075% per annum
Pula call	8.000% per annum	9.500% per annum
GBP call	1.250% per annum	3.875% per annum
Finance lease liabilities	16.000% per annum	-

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

	GBP	Pula equivalent	Rand
2008 call deposit	2,418,038	23,310,340	59,410

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

	GBP	Pula	Rand
2008 Call deposit	2,418,039	10,529,650	59,410
2007 Call deposit	2,362,744	8,727,897	60,670

Maturity analysis for short term investments

2008

	Interest rate applicable	Maturity date	Pula equivalent
African Alliance	10.50%	31/03/09	1,443
Botswana Building Society	11.50%	31/03/09	40,810,091
			<u>40,811,534</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

25 FINANCIAL INSTRUMENTS (Continued)

2007

	Interest rate applicable	Maturity date	Pula equivalent
African Alliance	10.50%	31/03/08	3,548,278
ABC Limited	10.50%	06/02/08	1,723,140
Botswana Life Insurance	10.15%	31/03/08	443,964
Stanbic	11.15%	31/03/08	1,850,784
Botswana Building Society	11.50%	31/03/08	36,490,334
			<u>44,056,500</u>

Sensitivity to interest rate movement

A change of 50 basis points (that is 0.5%) in interest rates during the reporting date would have increased/ (decreased) the group's surplus (Society 2007: deficit) by an equal amount in either direction, as shown below:

Group 2008

	Current rate	New rate	Principal amount	Effect on the group surplus 2008
Finance lease liabilities	16.00%	16.50%	(433,983)	(2,170)
Short term investments				
African Alliance	10.50%	11.00%	1,443	7
Botswana Building Society	11.50%	12.00%	40,810,091	204,050
Call and short term deposit funds	8.00%	8.50%	23,310,340	116,552
			<u>63,687,891</u>	<u>318,439</u>

Society 2008

African Alliance	10.50%	11.00%	1,443	7
Botswana Building Society	11.50%	12.00%	40,810,091	204,050
Call and short term deposit funds	8.00%	8.50%	13,007,099	65,035
			<u>53,818,633</u>	<u>269,093</u>

Society 2007

	Current rate	New rate	Principal amount	Effect on the group surplus 2008
African Alliance	10.50%	11.00%	3,548,278	17,741
ABC Limited	10.50%	11.00%	1,723,140	8,616
Botswana Life Insurance	10.15%	10.65%	443,964	2,220
Stanbic	11.15%	11.65%	1,850,784	9,254
Botswana Building Society	11.50%	12.00%	36,490,334	182,452
Call and short term deposit funds	8.50%	9.00%	1,151,311	55,757
			<u>55,207,811</u>	<u>276,039</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

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):

	GROUP 2008 P	SOCIETY 2008 P	2007 P
Trade receivables	8,028,566	4,753,250	5,554,966
Other receivables	1,001,060	1,001,060	605,601
Cash and cash equivalents	63,035,817	51,422,782	5,885,156
	<u>72,065,443</u>	<u>57,177,092</u>	<u>62,045,723</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 was P4 753 250 (2007: P5 554 966).

The group is unable to provide an accurate ageing of medical aid subscriptions receivable as required by IFRS 7, due to information technology limitations.

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 consist of a specific loss component based on balances exceeding agreed upon credit terms.

As at year end, trade receivables (excluding medical aid subscriptions receivable) of P567 390 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:

Up to 2 months	334,390
2 to 3 months	157,642
3 to 4 months	5,805
Over 4 months	69,553
	<u>567,390</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

25 FINANCIAL INSTRUMENTS (Continued)

Of the trade receivable balance of P3 275 316 at year end (excluding medical aid contributions) a total of P 1 326 327 is due from medical aid societies and financial services company as analysed below, the group's largest customers:

Botswana Public Officers Medical Aid Scheme	475,992
International SOS	205,358
Penrich	227,000
Pula Medical Aid Society	417,977
	<u>1,326,327</u>
Movement for the provision for impairment	
Balance at beginning of period	58,705
Additional accrual for impairment allowance	<u>964,550</u>
	<u>1,023,255</u>

Liquidity risk

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

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

SOCIETY

2008

	Carrying amount	Contractual cash flows	6 months or less
Trade and other payables	(5,054,759)	(5,054,759)	(5,054,759)
Subscriptions received in advance	(918,801)	(918,801)	(918,801)
Outstanding cheques for claims	(5,739,160)	(5,739,160)	(5,739,160)
Provision for outstanding claims	(14,450,431)	(14,450,431)	(14,450,431)
	<u>(26,163,151)</u>	<u>(26,163,151)</u>	<u>(26,163,151)</u>

2007

Trade and other payables	(5,549,646)	(5,549,646)	(5,549,646)
Subscriptions received in advance	(601,785)	(601,785)	(601,785)
Outstanding cheques for claims	(4,422,433)	(4,422,433)	(4,422,433)
Provision for outstanding claims	(15,584,756)	(15,584,756)	(15,584,756)
	<u>(26,158,620)</u>	<u>(26,158,620)</u>	<u>(26,158,620)</u>

GROUP

2008

	Carrying amount	Contractual cash flows	6 months or less
Trade and other payables	(7,224,082)	(7,224,082)	(7,224,082)
Finance lease liabilities	(433,983)	(433,983)	(70,348)
Subscriptions received in advance	(918,801)	(918,801)	(918,801)
Outstanding cheques for claims	(5,739,160)	(5,739,160)	(5,739,160)
Provision for outstanding claims	(14,450,431)	(14,450,431)	(14,450,431)
	<u>(28,766,457)</u>	<u>(28,766,457)</u>	<u>(28,402,822)</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

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 was as follows based on notional amounts:

	GB Pound	SA Rand Pula equivalent	
2008			
Cash and cash equivalents	218,501	72,332	2,477,449
Provision for outstanding claims	-	(605,758)	(497,542)
2007			
Cash and cash equivalents	201,204	70,139	2,423,444
Provision for outstanding claims	-	(746,166)	(645,757)

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 (2007: increased deficit) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Equity (Surplus)/deficit for the year	
31 December 2008	(197,991)	(197,991)
31 December 2007	(177,769)	177,769

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 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 price 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:

Fair value 2008	<u>66,965,771</u>
Fair value 2007	<u>92,775,412</u>

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

2008	<u>6,696,577</u>
2007	<u>9,277,541</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 Senthlaha pension fund which is held independent of the group and is administered by Aon Botswana.

Notice of the 38th Annual General Meeting

Notice is hereby given that the 38th Annual General Meeting (AGM) of the Botswana Medical Aid Society will be held in Gaborone at Gaborone Sun Conference Centre on Tuesday 30th June 2009 at 10:00 hours.

AGENDA

1. Chairman's Introductory Remarks
2. Adoption of the Agenda
3. Minutes of the 37th Annual General Meeting held on 27th June 2008.
4. Matters Arising – Action Sheet
5. Chief Executive Officer's Report.
6. Audited Financial Statements of the year ended 31st December 2008.
7. Appointment of auditors to the Society for the ensuing year.
8. To approve the continuation of a member on the Board of Management who retire in terms of rule 19(4) read with rule 19(18) and being eligible offer herself for re-election.

NAME	CONSTITUENT BODY
Ms. Felicia Sebeela	Standard Chartered Bank

9. To elect/approve members to the Board of Management to replace the following members who retire after serving one term.

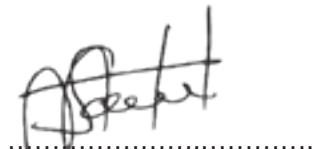
NAME	CONSTITUENT BODY
Dr. Tebogo Seleka	BIDPA
Ms. Masego Mookodi	National Development Bank

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

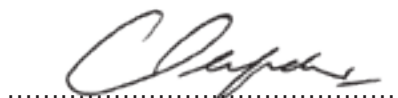
1. Nomination form for election to the Board of Management of the Society.
2. Copy of the audited accounts of the Society for the year ended 31st December 2008.
3. Copy of the minutes of the Annual General Meeting held on the 27th June 2008.

In accordance with rule 19(4), completed nomination forms for election to the Board of Management should be received no later than seven (7) days before the Annual General Meeting, that is, by the end of business day on 23rd June 2009.

By order of the Board



Prince Maele
Board Secretary



Dennis Alexander
Chief Executive Officer

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