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Our Mission

We are committed to providing our members with a competitive, high quality, flexible and sustainable range of healthcare management products through innovation and service excellence.

Our Vision

To be the leading medical aid provider that covers healthcare delivery, products and services in line with the changing needs of our members and the society.

BOARD MEMBERS AND SENIOR MANAGEMENT

BOARD MEMBERS



D J Alexander
Chief Executive Officer



B S Tsayang
Chairman
AIR BOTSWANA



O Ramasedi
Vice Chairman
NATIONAL DEVELOPMENT BANK



S Paraffin
KINGDOM BANK



B Sekwababe
SHELL OIL BOTSWANA



J Seema
BOTSWANA HOUSING
CORPORATION



S Sethi
UNION NURSERY SCHOOL



R E K Somolekae
BANK OF BOTSWANA



T Kgatlwane
BARCLAYS BANK



O Ratshosa
BARLOWORLD



E Mooki
BOTSWANA POWER CORPORATION

SENIOR MANAGEMENT



Kebosweditse Ntebela
Strategic Business Manager



Bangwato Sikwa
Manager - Health Services



Prince Maele
Human Resources Manager
(BOARD SECRETARY)



Michael Tlhagwane
Finance Manager



B S Tsayang - Chairman

OVERVIEW

I am pleased to review the results of the Botswana Medical Aid Society (BOMaid) for the twelve months to 31 December 2004, a period in which despite the reduced out turn, the Society further entrenched and maintained its leadership in the industry.

The Society's results for the year under review are modest compared to the previous two years. As is expected, the business environment has continued to change and grow in sophistication. New entrants in the industry have further intensified competition calling for greater vigilance on the part of the Society.

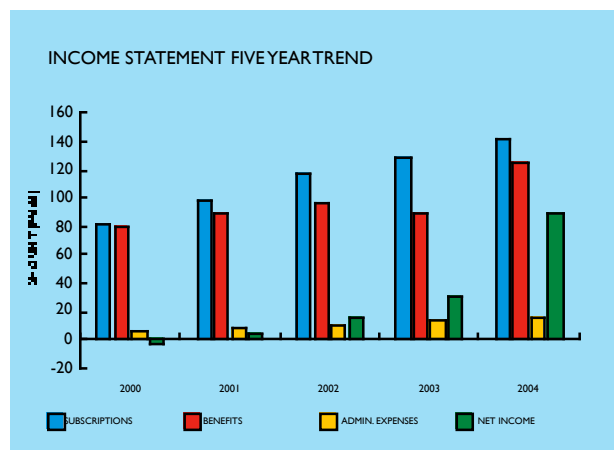
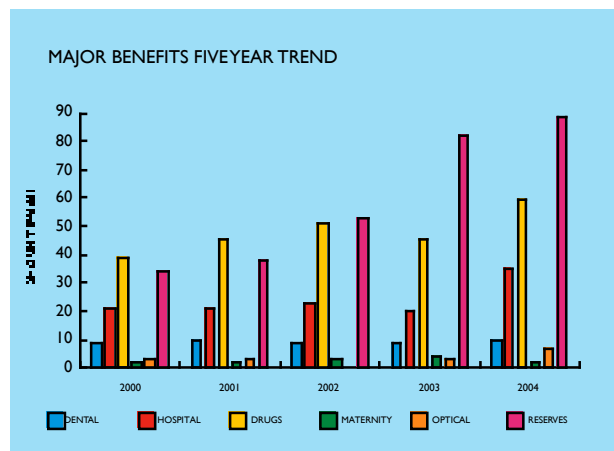
Nevertheless, as reported in the previous years, BOMaid believes that quality competition is good for the industry because it will ensure that market participants adopt best practices while offering members greater choice. It is worth noting that despite increasing competition, the Society did not record membership loses to competitors which is a gratifying indication that our focus on "service excellence", continuous improvement and our commitment, as a Botswana organization, to meet the "changing needs of our members" is paying dividends.

The review period was thus challenging and the Society was confronted with medical cost increase as well as spiraling increase in the utilization of medical benefits. Key elements that influenced the results and operations of the Society during the year included *inter alia*;

- Going for the third year of operations without a subscription adjustment.
- Substantial increase in essential benefit categories across all schemes including making the dread disease

cover available across all schemes as well as increase in our out-patient benefits (rationalization of the chemotherapy and radiotherapy treatments).

- The introduction of the "per diem" reimbursement model for services rendered by the Gaborone Private Hospital (GPH).
- The absorption of the 10% member co-payment for hospital in-patient procedures to ease the impact of Value Added Tax (VAT) on our membership.
- The introduction of the unitized tariff system for all service providers.
- The re-introduction at the beginning of year of the direct payment process for optical services.
- The effects of our membership "clean up" exercise.



CHAIRMAN'S REPORT

(continued)

Notwithstanding the above and the continued outsourcing and downsizing of staff members by employers, membership continued to grow with cumulative billable members as at 31 December 2004 recorded at 24 515 compared to 20 615 at the end of 2003. This reflected a net 18.9% membership growth for the year. Further analysis of our membership reflected that Scheme B remained the most popular accounting for 88.6% of membership followed by Scheme C at 4.6%, Scheme A at 3.8% and the individual schemes making up the remaining 3%.

FINANCIAL PERFORMANCE

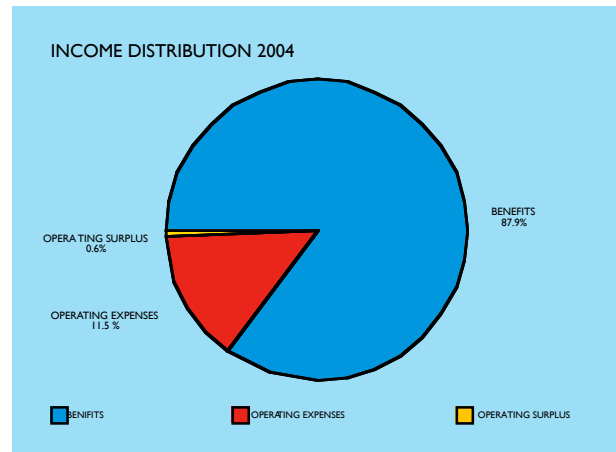
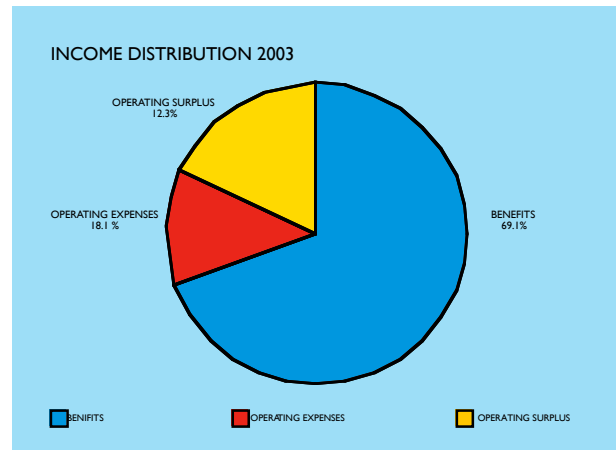
INCOME STATEMENT

The total income for the year totaled P141.3 million reflecting an increase of P12.4 million or 9.6% from the P128.9 million reported last year. The increase in income is attributable to improved collection and the increase in membership.

Benefits paid out during the period were P124.2 million, showing an increase of P34.5 million or 38% in comparison to last year. The increase is partly as a result of the deferment of some cases in the latter part of 2003, mainly surgical, by service providers to 2004 while awaiting resolution between the medical aid funders and the Gaborone Private Hospital. In total, benefits paid amounted to 87.9% of actual subscriptions received.

Consultation and drugs continued to be the major benefit payout category at a payout of P59.6 million or 48% of the total benefits paid. In comparison to the previous year's figure of P44.9 million, there is an increase of 32.9% which is attributable to the proliferation of medical doctors throughout the country.

The hospitalization benefit payout stood at P35.4 million accounting for 28.5% of the total benefits paid out. Compared to the previous year, there is an increase of 73.7%, which is attributed to the large number of cases deferred into 2004 as explained above and as well as the absorption of the 10% member portion of the hospital costs.



Net direct expenditure on the Special Benefit Fund program for the year totaled P3.1 million reflecting a decrease of P0.5 million or 14%. This is as a result of the increase in the number of companies contributing to the overall fund as well as the general pressure downwards on drug pricing. The expenditure equals 2.2% of total subscriptions income which is well within the allowable 3.5% appropriation.

Total administration expenses for the period amounted to P14.9 million which has marginally increased by P471 000 or 3.2% in comparison to last year's figure.

Accordingly, the Society recorded a net surplus of P9.0 million, which reflects a decrease of P21.2 million from the previous year's figure of P30.3 million. The decrease in net surplus is directly attributable to a high benefit payout ratio which is in excess of our established benchmark of 80% of total subscriptions.

CHAIRMAN'S REPORT

(continued)

BALANCE SHEET

The Society's Balance Sheet was strengthened by the performance recorded for the year. Accumulated funds increased by 8.8% to P88.9 million. Total funds and reserves increased by 14% to P130.4 million, representing a healthy cover of 12.6 months of average monthly benefits paid.

The Society's local investments recorded a massive gain of P5.36 million or 19.8% from the December 31st 2003 closing balances. During the year, Pep Holdings was de-listed from the Botswana Stock Exchange and embarked on a restructure in which they bought back all shares issued to private investors.

The offshore investments' performance have continued to disappoint during the year. However, there was a marginal improvement recording gains of P1.80 million or 5.4% from 31st December 2003 closing balances. While other investments recorded very marginal or negative capital appreciation, improved recoveries by Flemming Asset (12%) and BIFM equities (9.2%) resulted in the marginal gains referred to above.

CASH FLOW

The increase in benefits paid during the year under review has resulted in the Society realizing a negative net cash generated from operating activities.

However, the Society recorded a net increase in cash and cash equivalents of P3.9 million or 7.3% from the previous year.

MARKETING

In a competitive industry such as ours, our marketing staff is at the cutting edge of our marketing strategy. A deliberate direct marketing approach to existing and potential members was undertaken during the period under review. This was aimed at interacting with our members, listening, understanding and responding to their changing needs and providing solutions.

HUMAN RESOURCES

Everything our Society does is aimed at delivering what every person associated with Bomaid wants and need. This includes the people of Botswana, our members and the employees. The Society has always placed considerable importance on the human resource management and development strategy to enhance its competitiveness by investing in education and training.

The human resource interventions are therefore key to ensure attainment of our vision "to be the leading medical aid provider". The remuneration policy is subject to ongoing review to ensure modern remuneration structures in line with the market in order to attract and retain the high caliber of employees. Accordingly, the Society's focus on continuous improvement is linked to its Human Resources strategy to underpin the business strategy.

CORPORATE SOCIAL RESPONSIBILITY

The Society continues to make contributions to the welfare and empowerment of Botswana citizens through its education and sponsorship initiatives. Unlike corporate philanthropy, our business is about social responsibility. Our products and services offer peace of mind and improved quality of healthcare.

The tripartite partnership with Kgalagadi Breweries and the Motor Vehicle Accident Fund launched to fight against the carnage on Botswana roads continues to gain popularity and mileage. The Society has once more made monetary contributions to various charitable organizations, supporting their fundraising activities.

OUTLOOK

The medical aid industry is constantly changing and the advent of competition will make a considerable impact on our membership numbers. Members will have to become familiar with the way their medical aid scheme functions so that they can make informed decisions when they compare it to other medical schemes. To this end, containment of growth in the numbers of members with the concomitant claims risk is of paramount importance.

CHAIRMAN'S REPORT

(continued)

Moreover, 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, healthy scheme that compares more than favourably with competitors. Yes, the core function of any medical aid scheme is to adjudicate claims. However, the continued success of a contemporary medical scheme is a function of the scheme's ability to transform itself into a vibrant body that consistently adds value to the lives of its members.

I am confident that the Society is in a position to timeously identify risks and opportunities in order to excel in the year ahead. The quality of our staff and benefits affords us to be proactive in the analysis of our service package to our valued members, and maintain our position as industry leaders.

CONCLUSION

Although the results for the year under review are modest, they are encouraging when looked at in the context of the industry where competition has been vicious.

I wish to express my sincere appreciation to the Board of Management particularly the outgoing members, Messrs Seema and Paraffin for their time, wisdom, devotion and energy whose contribution in the year that posed great challenges was significant and beyond reproach.

A special word of thanks goes to the CEO, management and staff for their dedication and loyalty to our members. Your enthusiasm is reflected in the manner that you tackled the challenges and your perseverance and vigour in overcoming them. Your commitment is also demonstrated by achieving positive membership growth in a highly competitive industry.

To esteemed members, medical aid is a business of numbers, we value your contributions and look forward to a long and healthy association with each and every one of you. Thank you for your past, present and future sacrifices and efforts in ensuring that Bomaid remains a household name and the medical aid you can trust.

Finally, I would like to pay tribute to all service providers for the co-operation, trust and service rendered to our members. The relationships that have been formed over the years must be strengthened and nurtured.

GENERAL INFORMATION

Registered in Botswana - Society Registration Number 0104

BOARD OF MANAGEMENT

B S Tsayang	(Chairman)
O Ramasedi	(Vice Chairman)
D J Alexander	
S Paraffin	
B Sekwababe	
J Seema	
S Sethi	
R Somolekae	
T Kgatlwane	
O Ratshosa	(Appointed 29 June 2004)
E Mooki	(Retired 28 September 2004)
D Pheko-Molamu	(Retired 29 June 2004)

CHIEF EXECUTIVE

D J Alexander

SECRETARY

P Maele

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

Deloitte & Touche

BANKERS

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

ANNUAL FINANCIAL STATEMENTS

31 December 2004

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BOARD OF MANAGEMENT'S APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Board of management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and the rules of the Society.

The auditors are responsible for giving an independent opinion on the fairness of the annual financial statements based on their audit of the affairs of the Society.

After making inquiries, the Board of management has no reason to believe that the Society will not be a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The Board is satisfied that management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the annual financial statements, to safeguard the assets of the Society and to ensure they are duly authorised.

Against this background, the Board of management accepts responsibility for the financial statements and the information on pages 10 to 20 which were approved on 26 May 2005 and are signed on its behalf by:



T KGATLWANE
FINANCE SUB-COMMITTEE
CHAIRPERSON



B S TSAYANG
BOARD CHAIRMAN



D J ALEXANDER
CHIEF EXECUTIVE OFFICER

REPORT TO THE INDEPENDENT AUDITORS

TO MEMBERS OF THE BOTSWANA MEDICAL AID SOCIETY

We have audited the accompanying annual financial statements of the Botswana Medical Aid Society set out on pages 10 to 20 for the year ended 31 December 2004. These financial statements are the responsibility of the Society's Board of Management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We have examined the books, accounts and vouchers of the Society to the extent we considered necessary and have obtained all the information and explanations which we required. We have satisfied ourselves as to the existence of the securities. We believe that our audit provides a reasonable basis for our opinion.

In our opinion;

- the Society has kept proper books of account with which the financial statements are in agreement; and
- the financial statements give a true and fair view of the state of the Society's affairs as of 31 December 2004 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the rules of the Society.



26 May 2005

INCOME STATEMENT

For the year ended 31 December 2004

	Notes	2004 P	2003 P
REVENUE			
Subscriptions received		<u>141,319,909</u>	<u>128,904,420</u>
COST OF SERVICES			
Benefits Paid			
- Dental		9,248,335	8,530,605
- Hospital		35,392,151	20,380,347
- Drugs, medicines and rehabilitation		59,642,095	44,889,834
- Maternity		2,514,357	3,684,873
- Optical and appliances		6,335,280	3,216,085
- Funeral		417,499	450,000
- Medical Rescue International		3,347,452	3,269,003
- Alternative treatment and chronic ailments		4,023,828	1,682,777
- Special benefits	I	3,126,497	3,634,518
Legal expenses		<u>185,500</u>	<u>26,816</u>
		<u>124,232,994</u>	<u>89,764,858</u>
CONTRIBUTION SURPLUS		<u>17,086,915</u>	<u>39,139,562</u>
EXPENDITURE			
Amortisation of agency agreement		-	133,333
Depreciation		1,410,167	1,298,318
Administration expenses		<u>14,905,472</u>	<u>14,434,688</u>
		<u>16,315,639</u>	<u>15,866,339</u>
OPERATING SURPLUS	2	771,276	23,273,223
INVESTMENT INCOME	3	<u>8,266,191</u>	<u>7,035,923</u>
NET INCOME for the year		<u><u>9,037,467</u></u>	<u><u>30,309,146</u></u>

BALANCE SHEET

31 December 2004

	Notes	2004 P	2003 P
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	11,645,993	11,130,425
Investments	5	<u>67,524,782</u>	<u>60,364,905</u>
		<u>79,170,775</u>	<u>71,495,330</u>
CURRENT ASSETS			
Inventory		157,772	78,329
Subscriptions receivable		2,462,990	2,435,870
Other receivables, deposits and prepayments		460,613	2,719,272
Accrued interest receivable		23,155	41,358
Short term investments	6	47,303,034	37,454,992
Bank balances and cash		<u>18,529,443</u>	<u>18,257,717</u>
		<u>68,937,007</u>	<u>60,987,538</u>
Total assets		<u>148,107,782</u>	<u>132,482,868</u>
FUNDS, RESERVES AND LIABILITIES			
FUNDS AND RESERVES			
Accumulated funds		88,927,528	81,709,761
Low claim reserve		721,591	743,893
BOMAID disease management reserve		3,553,153	1,733,453
Revaluation reserve	7	<u>37,204,363</u>	<u>29,936,568</u>
		<u>130,406,635</u>	<u>114,123,675</u>
NON CURRENT LIABILITIES			
Long term borrowings	8	<u>-</u>	<u>1,346,056</u>
CURRENT LIABILITIES			
Subscriptions received in advance		615,244	371,569
Accounts payable		2,003,713	2,942,969
Subscription suspense account		57,850	398,273
Short term portion of long term borrowings	8	-	243,375
Outstanding cheques for claims		8,704,930	2,499,448
Provision for outstanding claims		<u>6,319,410</u>	<u>10,557,503</u>
		<u>17,701,147</u>	<u>17,013,137</u>
Total funds, reserves and liabilities		<u>148,107,782</u>	<u>132,482,868</u>

CASH FLOW STATEMENT

For the year ended 31 December 2004

	2004 P	2003 P
CASH INFLOWS FROM OPERATING ACTIVITIES:		
Operating surplus	771,276	23,273,223
Adjustments for		
Amortisation of BUPA agency agreement cost	-	133,333
Card system costs written off	-	212,668
Depreciation	1,410,167	1,298,318
Profit on disposal of investments	-	(162,750)
Loss/(profit) on disposal of property, plant & equipment	5,526	(4,690)
Operating income before reinvestment in working capital	2,186,969	24,750,102
Increase in subscriptions receivable	(27,120)	(214,863)
Decrease/(increase) in other receivables, deposits and repayments	2,258,659	(2,307,836)
Decrease in accrued interest receivable	18,203	35,868
(Increase)/decrease in inventories	(79,443)	6,286
Increase/(decrease) in subscriptions received in advance	243,675	(213,090)
(Decrease)/increase in accounts payable	(1,279,679)	305,067
(Decrease)/increase in provision for outstanding claims	(4,238,093)	1,246,319
Net cash (used in)/generated from operating activities	<u>(916,829)</u>	<u>23,607,853</u>
CASH INFLOWS FROM INVESTING ACTIVITIES:		
Net purchase of investments	(6,527)	(9,285)
Purchase of property, plant and equipment	(1,935,262)	(1,843,724)
Proceeds on disposal of property, plant & equipment	4,001	12,045
Proceeds on disposal of investments	114,445	189,000
Interest received	6,637,313	4,159,025
Dividends received	1,367,622	2,788,830
Other investment income (net)	261,256	88,068
Net cash inflows from investing activities	<u>6,442,848</u>	<u>5,383,959</u>
CASH OUTFLOWS TO FINANCING ACTIVITIES:		
Benefits paid through low claims reserve	(22,302)	(12,778)
Long term borrowings repaid	(1,589,431)	(138,769)
	<u>(1,611,733)</u>	<u>(151,547)</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	3,914,286	28,840,265
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	53,213,261	24,372,996
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>57,127,547</u>	<u>53,213,261</u>
Represented by:		
Short term investments	47,303,034	37,454,992
Outstanding cheques for claims	(8,704,930)	(2,499,448)
Bank balances and cash	18,529,443	18,257,717
Cash and cash equivalents at end of the year	<u>57,127,547</u>	<u>53,213,261</u>

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	Accumulated funds P	BOMAID disease management reserve P	Low claim reserve P	Revaluation reserve P	Total P
BALANCE AT 1 January 2003	52,277,752	856,316	756,671	34,277,763	88,168,502
Net income for the year	30,309,146	-	-	-	30,309,146
Annual transfer (from) / to reserve	(4,511,655)	4,511,655	-	-	-
Disposal of investments	-	-	-	(148,750)	(148,750)
Payments during the year	3,634,518	(3,634,518)	(12,778)	-	(12,778)
Net current year revaluation	-	-	-	(4,192,445)	(4,192,445)
BALANCE AT 31 December 2003	81,709,761	1,733,453	743,893	29,936,568	114,123,675
Net income for the year	9,037,467	-	-	-	9,037,467
Annual transfer (from) / to reserve	(4,946,197)	4,946,197	-	-	-
Disposals of investments	-	-	-	48,700	48,700
Payments during the year	3,126,497	(3,126,497)	(22,302)	-	(22,302)
Net current year revaluation	-	-	-	7,219,095	7,219,095
BALANCE AT 31 December 2004	88,927,528	3,553,153	721,591	37,204,363	130,406,635

ACCOUNTING POLICIES

For the year ended 31 December 2004

BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards and incorporate the following principal accounting policies, which have been consistently applied in all material respects.

REVENUE

Subscriptions and interest on deposits are accounted for on the accruals basis. Dividend income from investments is recognised when the society's rights to receive payment have been established.

LOW CLAIM RESERVE

The Society rewards members who make low or no claims. The reward is comprised of increased claim limits. A transfer is made each year from the operating surplus to a low claim reserve and costs of the increased limits are charged to the reserve.

BOMAID DISEASE MANAGEMENT RESERVE

Three and a half percent of annual subscriptions is transferred each year from the operating surplus to a Bomaid disease management reserve. Costs incurred by the Society are charged against this reserve. Any surpluses on this reserve are carried forward to the ensuing financial year, whilst deficits are funded from the accumulated funds.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, with the exception of leasehold land and buildings, are stated at cost less accumulated depreciation.

Leasehold land and buildings are stated at valuation on the basis of the most recently established open market values with current additions at cost. Valuations are performed independently every three years.

Depreciation is charged over the estimated useful lives of the assets in equal annual instalments to write off the cost over the following periods:

Leasehold land and buildings	remaining period of lease
Buildings	50 years
Motor vehicles	4 years
Computer equipment and software	4 years
Office equipment	10 years
Telephone Equipment	5 years

Surpluses on revaluation are transferred directly to the property revaluation reserve. Deficits on revaluation are charged directly to the property revaluation reserve to the extent that such reserves exist in respect of that same asset. Deficits in excess of these reserves, or deficits which relate to assets for which no such reserves exist are taken directly to the income statement.

INVENTORY

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

ACCOUNTING POLICIES (continued)

For the year ended 31 December 2004

RETIREMENT BENEFITS

Pension is provided for all pensionable employees through a separate pension fund to which the Society contributes. The fund is a defined contribution plan and is thus exempt from actuarial valuations. Gratuities are paid to contract employees on expiry of their contracts of employment.

PROVISION FOR OUTSTANDING CLAIMS

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

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Society's balance sheet when the Society becomes party to contractual provisions of the instrument

Financial assets

The Society's principal financial assets are accounts receivable, investments and bank balances and cash.

Accounts receivable

Accounts receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments

Investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs.

Investments including managed funds are classified as available for sale and are measured at subsequent dates at fair value. Gains or losses arising on fair value are recognised directly to equity, until the security is disposed of or is determined to be impaired, at which point the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Financial liabilities and equity

Significant financial liabilities comprise accounts payable and long-term interest bearing borrowings, which are stated at their nominal value.

An equity instrument is any contract that evidences a residual interest in the assets of the Society after deducting all of its liabilities.

FOREIGN CURRENCIES

Transactions in currencies other than Botswana Pula are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date.

All exchange gains and losses arising on translation are dealt with in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

	2004	2003
	P	P
1 SPECIAL BENEFITS		
Drugs and laboratory tests	6,084,072	6,380,990
Other expenses	117,054	71,069
Recoveries from members	<u>(3,074,629)</u>	<u>(2,817,541)</u>
Net special benefits paid during the year	<u><u>3,126,497</u></u>	<u><u>3,634,518</u></u>
2 OPERATING SURPLUS		
Operating surplus is stated after taking into account the following items requiring separate disclosure:		
Audit fee - current year	85,000	75,000
- other	-	10,000
Depreciation	1,410,167	1,298,318
Exchange (gain)/loss	(266,159)	183,836
Loss/(profit) on disposal of property, plant and equipment	5,526	(4,690)
Staff costs	9,065,720	9,559,191
Pension costs	<u>941,225</u>	<u>773,956</u>
3 INVESTMENT INCOME		
Interest	6,637,313	4,159,025
Dividends	1,367,622	2,788,830
Agency commission	182,672	128,703
Profit on sale of investments	-	162,750
Rental income	-	184,680
Sundry income	83,675	27,503
Investment expenses	<u>(5,091)</u>	<u>(415,568)</u>
	<u><u>8,266,191</u></u>	<u><u>7,035,923</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2004

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land and Buildings P	Motor Vehicles P	Computer Equipment & Software P	Office Equipment & Fittings P	Telephone Equipment P	Capital Work in progress P	Total P
COST OR VALUATION							
Balance at beginning of the year	7,367,568	265,752	4,928,531	831,826	116,775	975,777	14,486,229
Additions	15,295	-	311,048	130,541	16,622	1,461,756	1,935,262
Disposals	(6,340)	-	-	(12,000)	-	-	(18,340)
Balance at end of the year	<u>7,376,523</u>	<u>265,752</u>	<u>5,239,579</u>	<u>950,367</u>	<u>133,397</u>	<u>2,437,533</u>	<u>16,403,151</u>
DEPRECIATION							
Balance at beginning of the year	620,493	150,532	2,127,180	381,639	75,960	-	3,355,804
Charge for the year	137,958	35,452	1,128,695	87,144	20,918	-	1,410,167
Disposals	(327)	-	-	(8,486)	-	-	(8,813)
Balance at end of the year	<u>758,124</u>	<u>185,984</u>	<u>3,255,875</u>	<u>460,297</u>	<u>96,878</u>	<u>-</u>	<u>4,757,158</u>
NET BOOK VALUE							
At 31 December 2004	<u>6,618,399</u>	<u>79,768</u>	<u>1,983,704</u>	<u>490,070</u>	<u>36,519</u>	<u>2,437,533</u>	<u>11,645,993</u>
At 31 December 2003	<u>6,747,075</u>	<u>115,220</u>	<u>2,801,351</u>	<u>450,187</u>	<u>40,815</u>	<u>-</u>	<u>11,130,425</u>

The leasehold land and buildings comprise Lot 50638 Fairgrounds, Gaborone, 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 last independently revalued by a professional firm of valuers on the open market value in 2002.

Capital work in progress relates to the construction of the extension to the office premises.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2004

	2004	2003
	P	P
5 INVESTMENTS		
At valuation		
5.1 Available for sale listed investments - local:		
Barclays Bank of Botswana Limited		
318 000 ordinary shares of 5 thebe each	5,107,080	4,773,180
Standard Chartered Bank Botswana Limited		
500 000 ordinary shares of 10 thebe each	3,475,000	3,125,000
Sefalana Holding Company Limited		
70 000 ordinary shares of 1 thebe each	486,500	567,000
First National Bank of Botswana Limited		
1 659 800 ordinary shares of 10 thebe each	14,440,260	10,456,740
Securicor (previously Inco)		
50 000 ordinary shares of 10 thebe each	135,000	87,750
Sechaba Investment Trust Company Limited		
200 000 ordinary shares of 25 thebe each	2,410,000	2,020,000
Botswana Insurance Holdings Limited		
872 510 ordinary shares of 5 thebe each	2,485,781	2,219,448
Metro Sefalana Cash & Carry Limited		
17 500 ordinary shares of 1 thebe each	87,500	240,625
Pep Botswana Holdings Limited		
48 700 ordinary shares of 1 thebe each	-	65,745
K Y S Investments Limited		
154 200 (2002: 134 790) ordinary shares of 1 thebe each	77,100	98,688
Engen Botswana Limited		
3 000 ordinary shares of 20 thebe each	63,000	48,300
MRI Botswana Limited		
2 500 000 ordinary shares of 1 thebe each	2,750,000	2,500,000
Chobe Holdings Limited		
56 969 ordinary shares of 1 thebe each	49,563	31,333
Furniture Mart Limited		
24 600 ordinary shares of P2 each	36,900	14,760
Turnstar Holdings Limited		
1 000 000 ordinary shares of 90 thebe each	900,000	900,000
	<u>32,503,684</u>	<u>27,148,569</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2004

	2004 P	2003 P
5 INVESTMENTS (continued)		
<i>At valuation</i>		
5.2 Available for sale listed investments - offshore:		
African Alliance - Global Income Fund	6,931,594	7,015,103
Botswana Insurance Fund Management offshore equities	14,449,271	13,231,966
Botswana Insurance Fund Management fixed interest fund	62,067	55,679
Botswana Insurance Fund Management offshore bonds	7,120,415	6,990,339
African Alliance - Global Allocation Fund	1,470,533	1,470,483
Fleming Asset Management	4,987,218	4,452,766
	<u>35,021,098</u>	<u>33,216,336</u>
Total investments	<u>67,524,782</u>	<u>60,364,905</u>
6 SHORT TERM INVESTMENTS		
African Alliance Investment	23,530,389	20,947,834
Fixed deposits - ABC Limited	23,432,552	16,196,079
- BLIL	340,093	311,079
	<u>47,303,034</u>	<u>37,454,992</u>
7 REVALUATION RESERVE		
<i>Securities</i>		
Balance at beginning of the year	27,653,453	31,994,648
Realised loss/(gain) on disposals during the year	48,700	(148,750)
Revaluations/(devaluations) during the year	7,219,095	(4,192,445)
Balance at end of the year	<u>34,921,248</u>	<u>27,653,453</u>
<i>Property</i>		
Balance at beginning and end of the year	2,283,115	2,283,115
Total revaluation reserve at end of the year	<u>37,204,363</u>	<u>29,936,568</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2004

2004	2003
P	P

8 LONG TERM BORROWINGS

First National Bank of Botswana Limited	-	1,589,431
Less current portion	-	(243,375)
	<u>-</u>	<u>1,346,056</u>

The Society accelerated the repayment of the loan and was fully paid in the current year.

9 TAXATION

The Society has been approved as a benefit fund and is exempt from taxation under Section 2 of the Income Tax Act (Chapter 52:01)

10 FIDELITY COVER

In accordance with the Rules of the Society, fidelity cover of P150 000 has been procured.

11 CONTINGENT LIABILITY

The society is currently a defendant of lawsuits of P111,250 (US\$25,000) and P387,150 (US\$87,000) by Golden Sun and Dr Muluwa, respectively. The matters are pending.

As the outcomes of the lawsuits can not be reasonably determined at the balance sheet date, no liability has been raised.