Contents

Administered by South view

Board Members

Dennis J Alexander Principal Officer

Abel Bogatsu Board Chairman

Steven Bogatsu Chairman - Finance, Audit and Risk Committee

Sheila Sealetsa Chairman - Appeals and Service Quality Committee

Batsho Nthoi Member

Board Members (cont.)

Gratian Rutta Member

Macie Molebatsi Member

Jane M Monyake Member

Rebecca Mgadla Member

Matlhogonolo Mponang Member

Chairman's Report

Abel Bogatsu Board Chairman

Chairman's Report (cont.)

Introduction

Our focus in 2012 was to establish a platform for ensuring growth and sustainability of the Society's Fund in the years to come as well as reposition the Society in line with changes in the industry coming as result of regulation, competition and other general economic factors.

We have successfully established Southview (Proprietary) Limited, a wholly owned subsidiary of the Society. Southview has taken over the administration of the Fund and we expect it to play a significant role in Fund administration in the country. Southview will also be responsible for managing the expansion of our investments in related businesses in the health industry in a bid to diversify the income streams of the Society. We have completed the acquisition of MRI Botswana Limited ("MRI") from CEDA Venture Capital Fund and now hold 93% shareholding in MRI. This investment is held under Southview and we expect that in 2013 Southview will make further investments in the industry to diversify its portfolio.

We have posted another solid performance in 2012 despite the challenges we faced with demands for balanced billing and a sharp increase in claims during the year ending the year with a comprehensive income of P19.4 million.

Governance

In June 2012 we welcomed Matlhogonolo Mponang as a new Board member to replace Felicia Sebeela, who retired. The Deputy Chairman, Steven Bogatsu has resigned to take an appointment outside the country whilst Sheila Sealetsa and I will be stepping down at the 2013 annual genneral meeting after completing our maximum two terms of three-years each.

Appointments of new Board members will be in line with the new structure of the Board of Trustees that the Society approved at the last AGM and the processes of appointing the Southview Board to replace the existing interim Board are fairly advanced.

The Economic and Market Environment

Employment rates in Botswana remained fairly stable and not many retrenchments were recorded across board by our Constituent Members. We were able to grow our membership in the period by 5%. Increases in member subscriptions were kept below inflation level having taken regard of the insignificant general increases in salaries across the economy. Inflation in the health sector continued to run above general inflation and at the same time the demand for improved tariffs by service providers was strong at the beginning of the year. The impact of all these factors was a 26% increase in our claims experience resulting in a payout of 93% of subscription income against previous year's 85%.

In turn this has put significant pressure on operations resulting in an operating deficit of P6 million.

Our strategy going forward is that the Society should develop new income streams by investing in related businesses with a view to complement subscription income and cushion the Society from significant shocks in the industry or the general economy. We also recognize the importance of continually aligning our benefit schemes with Member expectations and needs and our aim is to do that with reduced reliance on increasing Member subscriptions.

Competition

The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) is the body that is expected to regulate Medical Aid Funds. The Authority is still in the process of refining the model of regulation for Medical Aid Funds.

As mentioned previously, I have full confidence that as a Society we are well positioned to adapt to the new regulatory environment.

Competition Authority

The medical aid industry in Botswana continues to attract interest of new investments. We have seen and expect more new entrants into the market in the future and with employers more keen to give their employees free choice of medical aid schemes, competition will intensify. We embrace competition as we believe that it will bring diversity in service provision in Botswana with benefits to Members both in the short term and long term.

The Society remains committed to innovation to meet the evolving needs of Members. The introduction of Southview as fund administrators allows the Society to now focus on expanding the Society's benefit portfolio. As we are not-for-profit, we have the advantage of investing all our surpluses and reserves in improved service to Members and sustain such service in the long term. We remain the "Medical Aid You Can Trust".

Acknowledgements

I would like to thank fellow Members of the Board of Trustees of the Society, Directors, Management and Staff in the BOMAID Group for their continued commitment to the welfare of our Members. I also thank Members in their individual capacities for continuing to choose BOMAID, particularly those who have remained with us even after being offered the option to move elsewhere.

Abel Bogatsu
Chairman

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Corporate Governance

A key outcome of the successful implementation of the structural re-organisation of the Society is that the Board has changed from a Board of Management to a Board of Trustees. A Board of Trustees is responsible for overseeing the activities of a non-profit organisation, and is therefore the proper body to direct the affairs of the Society.

The Botswana Medical Aid Society subscribes to the doctrine of good Corporate Governance. Accordingly, and in line with the Rules of the Society, the Board is ultimately accountable to the Members of the Society. In recognition of this responsibility, the Board has committed itself to the highest standards of Corporate Governance through adhering to a Board Charter which outlines the Board's responsibilities. These include setting the Society's strategic direction, developing key policies, approving the Budgets, monitoring implementation of the approved strategy and ensuring that there is full compliance with regulatory requirements. These responsibilities are achieved through a systematic process of comprehensive reporting to the Board by Management, and the Board is ultimately responsible for ensuring that reporting standards conform to the principles laid out in the Society's Book of Rules.

Board Structure

In accordance with the Society's Constitution, the Board is composed of a total of ten Members. Four of them being representatives of the Society's Constituent Bodies, two being Independent Members from the general public, all of them elected and appointed by the General Membership of the Society at an Annual General Meeting. These six Members then have the opportunity to augment their skills and experience mix by appointing three more Members. A Chairman is elected from among these nine Members.

The Board further includes one Ex- Officio Member, being the Principal Officer, formerly called Chief Executive Officer, who is appointed by the Board. The nine elected Board Members serve for a maximum of two terms of three years each. During the year under review, Ms Felicia Sebeela retired from the Board and the vacancy was filled by the Board through the appointment of Ms Matlhogonolo Mponang. All appointments to the Board at the 2013 Annual General Meeting will be made in line with the new structure.

Board Composition

The following individuals served on the Board during the year:

Mr A Bogatsu	- Chairperson
Mr S Bogatsu	- Deputy Chairperson
Ms S Sealetsa	- Member
Mrs R Mgadla	- Member
Mrs M Molebatsi	- Member
Mrs J Monyake	- Member
Mr G Rutta	- Member
Mr B Nthoi	- Member
Ms M Mponang	- Member
Mr D Alexander	- Ex-officio Member

Board Meetings

The Board meets at least four times a year. During the year, the Board met six times.

Board Remuneration

Remuneration for Board Members for the year was as follows:

2012 Board Fees	BWP
A. Bogatsu	14,010
S. Bogatsu	9,975
M. Molebatsi	10,395
J. Monyake	8,400
G. Rutta	10,500
F. Sebeela	4,515
S. Sealetsa	5,460
R. Mgadla	9,765
B. Nthoi	7,875
M. Mponang	5,460
	86,355

Board Committees

In line with the standards of good Corporate Governance, the Society's Constitution and the Board Charter provide for the establishment of designated Board Committees, in order to assist the Board to deliver on its mandate. Where it deems fit, the Board can delegate some of its powers to these designated Committees. In delegating its powers, the Board ensures that such delegated authority is express and where it has not been expressed, the Committees recommend their final decisions to the Board. This however does not transfer any of the responsibilities of the Board to the respective Committees, and the Board remains ultimately accountable to the Members of the Society. During the year under review, the Board had three Committees. The Chairman sat on none of these Committees.

Finance, Audit and Risk Committee

The Finance, Audit and Risk Committee comprises a total of four Members. The main function of this Committee is to assist the Board in discharging its duties of ensuring prudent management of financial matters and managing risks facing the Society. The Committee continuously reviews reports on the management of internal controls, risk management and management accounts and makes the requisite recommendations for approval by the Board.

During the year, the following Board Members were on the Committee:

Mr S Bogatsu	- Chairperson
Mr G Rutta	- Member
Mrs J Monyake	- Member
Mrs R Mgadla	- Member
Mr D Alexander	- Ex-officio

Staff Welfare and Compensation Committee

The function of this Committee is to advise the Board on Human Resources policies and strategies, including remuneration and the appointment of officers of the Society.

During the year, the following Board Members were on the Committee:

Mrs M Molebatsi	- Chairperson
Mrs R Mgadla	- Member
Mrs J Monyake	- Member
Ms S Sealetsa	- Member
Mr B Nthoi	- Member
Ms M Mponang	- Member
Mr D Alexander	- Ex-officio

Corporate Governance (cont.)

Appeals and Service Quality Committee

This Committee assists the Board in carrying out its responsibility to assess appeals from the Society's Members and to foster a culture of service excellence.

During the year, the following Board Members were on the Committee:

Ms S Sealetsa	- Chairperson
Mrs. M. Molebatsi	- Member
Mr. G Rutta	- Member
Ms M Mponang	- Member
Mr D Alexander	- Ex-officio

Board Attendance Register

	2012				2013	
Meeting Date	20/07	23/08	22/11	10/12	15/03	07/06
A A Bogatsu	P	P	P	P	P	P
D J Alexander	P	P	P	P	P	P
S M Sealetsa	A	A	P	A	A	A
R M Mgadla	A	A	P	P	P	P
S Bogatsu	P	A	A	P	P	N/A
M K Molebatsi	P	A	P	P	A	P
J M Monyake	P	A	A	P	A	P
G Rutta	P	P	P	P	P	P
B Nthoi	A	P	P	P	A	A
M Mponang	P	P	P	P	P	P

P - Present **A** - Absent/Apology **N/A** - Not Applicable/Member Resigned

Committees Attendance Register

	STAFF WELFARE & COMPENSATION						APPEALS & SERVICE QUALITY			FINANCE, AUDIT & RISK				
	2012				2013		2012		2013	2012			2013	
NAME	19/07	07/08	25/09	31/10	22/05	05/06	13/08	09/11	12/03	10/08	12/11	06/12	11/03	06/06
A A Bogatsu	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P
D J Alexander	P	P	P	P	P	P	P	P	P	P	P	P	P	P
S M Sealetsa	A	N/A	N/A	N/A	N/A	N/A	P	P	P	N/A	N/A	N/A	N/A	N/A
R M Mgadla	A	P	P	P	P	P	N/A	N/A	N/A	A	P	A	P	P
S Bogatsu	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P	P	P	N/A
M K Molebatsi	P	A	P	P	P	P	P	A	P	N/A	N/A	N/A	N/A	N/A
J M Monyake	P	A	A	A	P	A	N/A	N/A	N/A	P	P	A	A	P
G Rutta	N/A	N/A	NA/	N/A	N/A	N/A	A	P	A	A	P	P	A	P
B Nthoi	N/A	A	P	P	A	A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
M Mponang	N/A	P	A	P	A	P	A	P	A	N/A	N/A	N/A	N/A	N/A

P - Present **A** - Absent/Apology **N/A** - Not Applicable/Member not in Committee

Principal Officer's Report

Dennis J Alexander Principal Officer

Principal Officer's Report (cont.)

Introduction

The past year has seen the Society adapt to a number of changes in the health industry landscape. The implementation of the decision by the General Membership to rationalise the operations of the Society in an endeavour to ensure relevance going into the future, has undoubtedly been the outstanding achievement of the last twelve months. This successful transformation of the Society is the result of continuous engagement between the Society's Board, Executive Management and the General Membership. You will recall that at the 2012 Annual General Meeting a final proposal was put to the Membership to delink the Fund from its administrative function, and the implementation of the re-organised structure on 1st January 2013 was the successful culmination of a five-year journey.

The Society recorded an operating deficit in 2012, primarily due to the higher than normal claims pay-out experienced in this year. However, due to the strong performance by MRI Botswana Limited and our PPP contracts, there was a net contribution to Group reserves.

General Overview

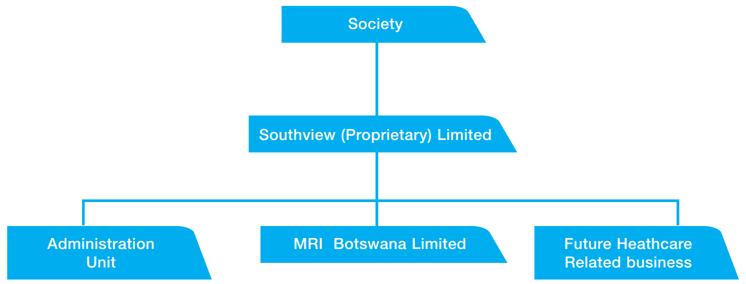
The market environment remained challenging in 2012. Economic growth rate for Botswana in 2012 was 3.7%, significantly below the 6.1% recorded in 2011. Indications are that the medical aid industry grew by 1.4% during the year, considerably below the national figure. Inflation for the year averaged 7.5%, well above the Bank of Botswana's target of 3%-6%. The higher than usual tariffs awarded during the year were a result of the industry tariff dispute experienced at the beginning of the year, and these had the direct effect of pushing up inflation in the health sector. The average health sector inflation for the year was 5.9% compared to 4.5% in 2011 as reported by Statistics Botswana, with outpatient services at 12.5% and medical products, appliances and equipment at 12.0% being the main contributors.

Models to help predict future developments in the sector are not always accurate and forecasts can easily be skewed by unforeseen increases in, for example, the number of high cost cases that may occur during any particular year. Key factors that continue to negatively affect healthcare costs are medical inflation, room costs and its associated charges, as well as cost variations across key health risks. It is likely that medical inflation will continue to outpace consumer price and earnings inflation in the future.

From an industry point of view, the Health Funders Association of Botswana was registered this year, and our Fund was given the opportunity to take up the role of Founding Chairperson. The year came to a close however without industry discussions between the Consolidated Health Practitioners Group (CHPG) and the Health Funders Association of Botswana (HFAB) being concluded, and new timelines were set for the second quarter of 2013. On the regulatory side, it would appear that the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) has not yet taken its full oversight responsibility over medical aid funds; and the Society, which falls under the mandate of NBFIRA, is still waiting for the Authority to implement the expected regulations. We are confident however that the structural re-organisation implemented in January 2013 has pre-empted the regulatory environment and will ensure that the Society is fully compliant whenever the regulations eventually come into effect.

Structural Re-Organisation

The re-organised structure that came into effect in 2013 re-aligns the Group with the requirements of the new regulatory framework and positions it favourably to take advantage of growth potential in the future. The new Group structure is illustrated below:



Under the new structure the Society is freed from the task of administrating the Fund, and can now concentrate all its energies to fulfilling its core function of providing health benefits to its Membership. The new entity, Southview (Proprietary) Limited will undertake all administrative and investment management roles that were previously handled by the Society in-house.

Group Performance

Overall revenue for the twelve months ended December 2012 was P412m, up 13.7% on 2011; with subscription income amounting to P346.9m and the revenue from contracts reported at P64.2m for the year; up 14.4% on last year.

Our subsidiary revenue contribution was P33.6 and income from contracts was up 17.8%, while revenue from the Wellness Programme fell by 57.4% on the back of reduced membership.

Total claims paid out for the year to 31 December 2012 amounted to P302m. The total cost of services, inclusive of PPP contract and direct costs rose by 23.4% to P370.9m. Other income, mainly from dividends and interest received, stood at P10.2m bringing the Group's net surplus for the year to P3.7m, with a total comprehensive income after revaluation of investments of P19.4m. Accumulated Group reserves are healthy and stand at around a quarter of a billion Pula, or approximately 10.5 months' cover.

The Society

Financial Performance

The effects of a number of our constituent members opening up membership to competing schemes, and the increase in the number of industry players, have not had the anticipated negative impact on our Membership numbers. The scheme continues to grow with total billable Membership up by 5% to 35,837; while the total number of lives covered increased by 6.3% from 76,654 to 81,520 during the year.

Actual income for the year ended 31 December 2012 was P347m reflecting a 14.9% increase over the 2011 figure, mainly due to higher than average Membership as well as the subscription adjustments made during the period. On the other hand total claims incurred for the year, including Special Benefit Fund program expenditure were 26.4% above our 2011 figure. When compared to the P256m recorded for the same period last year, total claim pay-outs reflect

Principal Officer's Report (cont.)

an increase of P67.5m. Increases were recorded in virtually all claim categories due mainly to tariff increases awarded to service providers in 2012 and a substantial increase in high cost cases.

Expenditure for all claim categories was above expectation, with hospital claims increasing to P128.2m and consultation, drugs and rehabilitation claims up 13.7% to P118.0m. In addition, a net adjustment relating to prior year claims of P5.7m was made during the year, further adversely affecting all claim categories. The total claims cost-to-subscriptions income ratio for the year was 85.2%, which was higher than the high level target ratio of 80%.

Administration expenses increased by 3.1% to P36.2m, reflecting a below inflation increase in operating costs. The Society reported an operating deficit of P3.3m, but when the surplus from discontinued operations is taken into account a surplus of P1.4m is recorded for 2012. This underperformance was a direct result of the high claims experienced during the year.

When the total net revaluation of investments amounting to P15.7m is added to the surplus, the resultant total comprehensive income for the period is P17.1m, down from P36.7m in 2011. The year's operations resulted in a net increase in cash and cash equivalents of P4.8m to close with a total balance of P38.1m.

Service Delivery

Long queues at service points in the dispensary are a thing of the past due to electronic ticketing and a successful overhaul of the system. Claims turnaround times have steadily come down, and in 2012 92% of claims were settled within 14 days. The local hospitals now have electronic invoice submission systems which have brought hospital claim settlement times down.

An improved IT system and the introduction of SMS notification of due payment and other billing information have resulted in enhanced communication with the membership.

New products

The recently introduced Severe Illness Cover pays out a cash amount which can be utilised by eligible members to meet whatever associated expenses they may have. This offering is covered by a third party insurer.

Human Resources

The structural re-organisation has not had a negative impact on the staff compliment. Staff migration to Southview was smooth and involved all eligible personnel, reflecting sound change management and continuous dialogue with staff members and staff representatives.

Staff Development

During the year, a number of staff development interventions were undertaken. These included training of employees in customer service, in payroll administration and in first aid. Twelve staff members attended occupational health and safety training and twelve were instructed in supervisory skills. Change management training was undertaken by members of the senior management and executive team, and this undoubtedly assisted management in navigating the organisational transition and migration of staff to Southview with minimal difficulties.

The outcomes of the training interventions continue to be monitored closely to ensure value for money.

Future Outlook

With the successful structural re-organisation process behind us and with the establishment of Southview as Administrators of the Society, our challenge for the future will be to devise strategies to grow value for the Society. A number of areas have been identified that may provide suitable opportunities for growth and these include further PPP engagements with government as well as various management services in the public facilities arena.

Southview has the potential to position itself as a specialised management organisation that will forge a closer relationship with public services. There are also opportunities in the private sector in the area of health and safety management, particularly in the growing mining sector.

A number of challenges face the Society in the years ahead. Some of these emanate from the slow economic recovery, the performance of the wider economy and the impact these have on the General Membership.

The medical aid industry is approaching saturation, and the continuous increase in the number of players in the market has the potential to destabilise the industry and to reduce our market share. A recent study suggests that there are already too many players in a market as small as Botswana. This begs the question whether there is a need for direct government participation in the industry or whether there should be a stronger private sector involvement in general health care funding. In a challenging market the Society must position itself to be able to contribute to the outcome of these issues.

Our subsidiary continues to perform to expectations, and opportunities to expand its activities, particularly in health and safety management in the growing mining sector, are being investigated. This strategy comes with the challenges of a dynamic and unsettled mining industry.

Conclusion

It remains for me to thank you, the Membership, for the confidence you have demonstrated in the re-structured Society, and to assure you that in our new configuration we will continue to strive to be your medical aid of choice. I must also commend the Board for its decisive direction during the progression of the structural re-organisation.

A special vote of thanks goes to the Board Chairman, Abel Bogatsu, for his service as a leader and a Board Member. I also acknowledge the important contributions of outgoing Members Steven Bogatsu in his roles as Deputy Board Chairman and Chairman of the Finance, Audit and Risk Committee; and Sheila Seeletsa as Chairperson of the Appeals Committee. I also express my thanks to the Management and Staff, whose continued commitment underpins our success.

Thank you.

Dennis J Alexander
Principal Officer

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Group annual financial statements and annual financial statements of the Society

For the year ended 31 December 2012

Contents

Administered by South view

Opening Of Bomaid And MRI New Office In Francistown

General Information

BOARD OF TRUSTEES

PRINCIPAL OFFICER

D J Alexander

SECRETARY

S T Molodi

PRINCIPAL ACTIVITY

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

BUSINESS ADDRESS

Plot 50638, Fairgrounds Office Park, Gaborone

AUDITORS

KPMG
Plot 67977
Fairgrounds Office Park
Off Tlokweng Road
Gaborone

BANKERS

Standard Chartered Bank Botswana Limited
First National Bank of Botswana Limited
Barclays Bank Botswana Limited
Stanbic Bank Botswana Limited
African Banking Corporation of Botswana Limited

EVENTS AFTER THE REPORTING DATE

Refer to note 31 regarding events after the reporting date.

Board's responsibility statement

for the year ended 31 December 2012

The Board of Trustees ("the Board") is responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements for Botswana Medical Aid Society ("the Society"), comprising the statements of financial position at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Society's Rules and the Societies Act of Botswana.

The Board is responsible for such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedule included in these financial statements.

The Board has made an assessment of the ability of the Society and its subsidiaries to continue as going concerns and have no reason to believe these businesses will not be going concerns in the foreseeable future.

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

Approval of the group annual financial statements and annual financial statements of the Society:

The group annual financial statements and annual financial statements of the Society, as identified in the first paragraph, were approved by the Board on 07 June 2013 and are signed on its behalf by:

G RUTTA
Finance, Risk and Audit Committee Chairman

A BOGATSU
Board Chairperson

D J ALEXANDER
Principal Officer

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

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

Independent auditor's report

to the members of Botswana Medical Aid Society

We have audited the accompanying consolidated annual financial statements and annual financial statements of Botswana Medical Aid Society, which comprise the consolidated and separate statements of financial position at 31 December 2012, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 20 to 53.

Board's Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Society's Rules and the Societies Act of Botswana, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of, the consolidated and separate financial position of Botswana Medical Aid Society at 31 December 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Society's Rules and the Societies Act of Botswana.

Supplementary information

The supplementary schedule set out on page 54 does not form part of the financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

KPMG
Certified Auditors
Practising member: Francois Roos
Membership number: 20010078: 45

Date: 07 June 2013
Place: Gaborone

Statements of comprehensive income

for the year ended 31 December 2012 (in Pula)

	Notes	Group 2012	Group 2011	Society 2012	Society 2011
Continuing operations					
Revenue					
Revenue from contracts		64,162,520	56,081,478	-	-
Subscriptions received		346,115,146	302,072,603	346,944,524	302,072,603
Wellness Program income		1,749,878	4,106,847	-	-
		412,027,544	362,260,928	346,944,524	302,072,603
Cost of Services					
Benefits paid					
- Dental		(13,888,130)	(13,464,778)	(13,888,130)	(13,464,778)
- Hospital		(128,179,201)	(82,871,546)	(128,179,201)	(82,871,546)
- Consultation, drugs and rehabilitation		(118,024,211)	(103,824,411)	(118,024,211)	(103,824,411)
- Maternity		(11,447,662)	(10,127,999)	(11,447,662)	(10,127,999)
- Optical and appliances		(8,308,384)	(6,662,506)	(8,308,384)	(6,662,506)
- Funeral		(1,545,000)	(1,497,250)	(1,545,000)	(1,497,250)
- Medical Rescue International		-	-	(6,959,387)	(5,829,554)
- Chronic ailments		(21,105,896)	(18,607,583)	(21,105,896)	(18,607,583)
- Special benefits	1	(11,885,249)	(12,435,711)	(12,322,526)	(12,790,238)
- Legal expenses		(114,055)	(105,613)	(114,055)	(105,613)
- Severe illness benefit cover		(1,395,208)	-	(1,395,208)	-
- Wellness Program costs		(1,551,696)	(2,448,385)	-	-
Direct costs		(53,493,973)	(48,646,515)	-	-
		(370,938,665)	(300,692,297)	(323,289,660)	(255,781,478)
Contribution surplus		41,088,879	61,568,631	23,654,864	46,291,125
Other income		679,214	102,006	-	-
Expenditure					
Depreciation		(3,094,292)	(2,742,620)	(947,053)	(932,040)
Reorganisation costs		-	(5,434,857)	-	(5,434,857)
Administration expenses		(44,691,998)	(41,935,928)	(36,179,220)	(35,086,155)
		(47,786,290)	(50,113,405)	(37,126,273)	(41,453,052)
Operating (deficit)/surplus	2	(6,018,197)	11,557,232	(13,471,409)	4,838,073
Interest received	3	6,094,166	5,538,191	5,828,724	5,160,903
Interest paid		(251,999)	(123,918)	-	-
Dividend and other income	4	4,333,739	4,934,056	4,333,739	7,149,005
		10,175,906	10,348,329	10,162,463	12,309,908
Surplus/(deficit) before taxation from continuing operations		4,157,709	21,905,561	(3,308,946)	17,147,981
Taxation	5	(477,808)	(723,566)	-	-
Surplus/(deficit) for the year from continuing operations		3,679,901	21,181,995	(3,308,946)	17,147,981

Statements of comprehensive income (cont.)

for the year ended 31 December 2012 (in Pula)

	Notes	Group 2012	Group 2011	Society 2012	Society 2011
Surplus after tax for the year from discontinued operations	6	-	-	4,725,515	4,636,391
Surplus for the year		3,679,901	21,181,995	1,416,569	21,784,372
Attributable to:					
Non-controlling interest		1,079,355	844,752	-	-
Members of the Society		2,600,546	20,337,243	1,416,569	21,784,372
		3,679,901	21,181,995	1,416,569	21,784,372
Total comprehensive income					
Surplus for the year		3,679,901	21,181,995	1,416,569	21,784,372
Other comprehensive income					
Net current year revaluation of investments		15,684,767	14,965,339	15,684,767	14,965,339
Low claims reserve payments during the year		(3,843)	(5,655)	(3,843)	(5,655)
Total comprehensive income for the year		19,360,825	36,141,679	17,097,493	36,744,056

Statements of financial position

at 31 December 2012 (in Pula)

Assets	Notes	Group 2012	Group 2011
Non-current assets			
Property, plant and equipment	7	40,595,282	35,544,584
Goodwill	9	371,093	371,093
Available for sale investments	10	161,557,100	145,872,333
		202,523,475	181,788,010
Current assets			
Inventories	11	1,806,554	1,102,171
Trade receivables	12	24,078,442	19,873,916
Other receivables	13	4,227,516	2,412,738
Short-term investments	14	59,827,878	54,338,721
Cash and cash equivalents	15	45,630,087	37,731,481
Taxation refundable		404,773	206,850
		135,975,250	115,665,877
Total assets		338,498,725	297,453,887
Equity			
Funds and reserves			
Accumulated funds		125,870,781	123,270,235
Non-controlling interest		7,235,268	6,155,913
Low claim reserve		488,024	491,867
Revaluation reserve	16	150,105,819	134,421,052
		283,699,892	264,339,067
Non-current liabilities			
Finance lease obligations	17	1,184,144	816,935
Bank loan	18	260,331	356,474
Property development loan	19	2,356,047	-
Retention payable	20	251,310	-
Deferred taxation	21	1,292,193	1,374,520
		5,344,025	2,547,929
Current liabilities			
Deferred rental liability	22	-	5,417
Trade and other payables	23	19,156,384	13,598,823
Subscriptions received in advance	24	641,484	562,196
Outstanding cheques for claims	15	5,180,322	4,266,479
Provision for outstanding claims	25	23,225,953	11,540,264
Current portion of finance lease obligations	17	991,603	503,405
Current portion of bank loan	18	99,415	90,307
Current portion of property development loan	19	159,647	-
		49,454,808	30,566,891
Total equity and liabilities		338,498,725	297,453,887

Statements of financial position (cont.)

at 31 December 2012 (in Pula)

Assets	Notes	Society 2012	Society 2011
Non-current assets			
Property, plant and equipment	7	23,536,083	24,563,550
Investment in subsidiaries	9	12,153,102	12,090,334
Available for sale investments	10	161,557,100	145,872,333
		197,246,285	182,526,217
Current assets			
Inventories	11	1,743,800	1,007,662
Trade receivables	12	13,324,533	15,464,237
Other receivables	13	3,859,836	2,112,589
Short-term investments	14	59,827,878	54,338,721
Cash and cash equivalents	15	38,111,471	33,279,406
		116,867,518	106,202,615
Assets classified as held for sale	6	8,968,564	-
		125,836,082	106,202,615
Total assets		323,082,367	288,728,832
Equity			
Funds and reserves			
Accumulated funds		129,329,274	127,912,705
Low claim reserve		488,024	491,867
Revaluation reserve	16	150,105,819	134,421,052
		279,923,117	262,825,624
Current liabilities			
Trade and other payables	23	7,847,212	9,534,269
Subscriptions received in advance	24	641,484	562,196
Outstanding cheques for claims	15	5,180,322	4,266,479
Provision for outstanding claims	25	23,225,953	11,540,264
		36,894,971	25,903,208
Liabilities directly associated with assets classified as held for sale	6	6,264,279	-
		43,159,250	25,903,208
Total equity and liabilities		323,082,367	288,728,832

Statements of changes in equity

for the year ended 31 December 2012 (in Pula)

Group

	Accumulated funds	Low claims reserve	Revaluation reserve	Total funds attributable to members	Non-controlling interest	Total
Balance at 01 January 2011	102,844,583	497,522	119,455,713	222,797,818	7,338,049	230,135,867
Reduction in tax on fair value adjustment	88,409	-	-	88,409	76,920	165,329
Surplus for the year	20,337,243	-	-	20,337,243	844,752	21,181,995
Payments during the year	-	(5,655)	-	(5,655)	-	(5,655)
Net current year revaluation	-	-	14,965,339	14,965,339	-	14,965,339
Dividends declared	-	-	-	-	(2,103,808)	(2,103,808)
Balance at 31 December 2011	123,270,235	491,867	134,421,052	258,183,154	6,155,913	264,339,067
Surplus for the year	2,600,546	-	-	2,600,546	1,079,355	3,679,901
Payments during the year	-	(3,843)	-	(3,843)	-	(3,843)
Net current year revaluation	-	-	15,684,767	15,684,767	-	15,684,767
Balance at 31 December 2012	125,870,781	488,024	150,105,819	276,464,624	7,235,268	283,699,892

Statements of changes in equity (cont.)

for the year ended 31 December 2012 (in Pula)

Society

	Accumulated funds	Low claim reserve	Revaluation reserve	Total funds attributable to members
Balance at 01 January 2011	106,128,333	497,522	119,455,713	226,081,568
Surplus for the year	21,784,372	-	-	21,784,372
Payments during the year	-	(5,655)	-	(5,655)
Net current year revaluation	-	-	14,965,339	14,965,339
Balance at 31 December 2011	127,912,705	491,867	134,421,052	262,825,624
Surplus for the year	1,416,569	-	-	1,416,569
Payments during the year	-	(3,843)	-	(3,843)
Net current year revaluation	-	-	15,684,767	15,684,767
Balance at 31 December 2012	129,329,274	488,024	150,105,819	279,923,117

Statements of cash flows

for the year ended 31 December 2012 (in Pula)

	Group		Society	
	2012	2011	2012	2011
OPERATING ACTIVITIES				
Surplus/(deficit) before taxation from continuing operations	4,157,709	21,905,561	(3,308,946)	17,147,981
Surplus before taxation from discontinued operations	-	-	4,725,515	4,636,391
Surplus before taxation	4,157,709	21,905,561	1,416,569	21,784,372
Adjusted for:				
Depreciation	3,094,292	2,742,621	1,436,225	1,291,333
Profit on disposal of plant and equipment	(306,704)	(18,403)	-	-
Movement in operating lease accrual	(5,417)	107	-	-
Movement in impairment loss accrual	669,399	(343,225)	-	-
Interest paid	251,999	123,918	-	-
Interest received	(6,094,166)	(5,538,191)	(5,828,724)	(5,160,903)
Dividends received	(4,112,873)	(4,767,554)	(4,112,873)	(6,982,503)
Cash (used in)/generated from operations	(2,345,761)	14,104,833	(7,088,803)	10,932,299
Movement in trade receivables	(4,873,925)	(9,023,446)	2,139,704	(7,360,624)
Movement in other receivables	(1,814,778)	(369,898)	(1,747,247)	(69,749)
Movement in inventories	(704,383)	197,765	(736,138)	225,599
Movement in subscriptions received in advance	79,288	(336,814)	79,288	(336,814)
Movement in trade and other payables	5,808,871	1,538,406	(1,687,057)	(621,644)
Movement in provision for outstanding claims	11,685,689	2,586,077	11,685,689	2,586,077
Net working capital relating to discontinued operations	-	-	(905,032)	-
Cash generated from normal operations	7,835,001	8,696,923	1,740,404	5,355,144
Interest paid	(251,999)	(123,918)	-	-
Tax paid	(758,058)	(559,545)	-	-
Net cash generated from operating activities	6,824,944	8,013,460	1,740,404	5,355,144
INVESTING ACTIVITIES				
Net purchase of investments	(5,489,087)	(10,059)	(5,551,855)	(10,059)
Purchase of plant and equipment	(8,157,586)	(3,848,438)	(2,208,011)	(1,045,154)
Proceeds on disposal of plant and equipment	319,300	23,950	-	-
Interest received	6,094,166	5,538,191	5,828,724	5,160,903
Dividends received	4,112,873	4,767,554	4,112,873	6,982,503
Net cash (used in)/generated from investing activities	(3,120,334)	6,471,198	2,181,731	11,088,193
FINANCING ACTIVITIES				
Finance obtained	4,424,126	1,752,064	-	-
Capital repayment of finance obligations	(1,140,060)	(477,040)	-	-
Benefits paid through low claims reserve	(3,843)	(5,655)	(3,843)	(5,655)
Dividends paid	-	(2,018,354)	-	-
Net cash generated from/(used in) financing activities	3,280,223	(748,985)	(3,843)	(5,655)
Net increase in cash and cash equivalents	6,984,833	13,735,673	3,918,292	16,437,682
Cash and cash equivalents at beginning of year	33,466,759	19,731,086	29,014,684	12,577,002
Cash and cash equivalents at end of year	40,451,592	33,466,759	32,932,976	29,014,684
Represented by:				
Short term investments	1,827	1,757	1,827	1,757
Outstanding cheques for claims	(5,180,322)	(4,266,479)	(5,180,322)	(4,266,479)
Bank and cash balances	45,630,087	37,731,481	38,111,471	33,279,406
	40,451,592	33,466,759	32,932,976	29,014,684

Significant accounting policies

for the year ended 31 December 2012 (in Pula)

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 the International Financial Reporting Standards.

Basis of preparation

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

The financial statements are prepared on the historical cost basis except for financial instruments which are stated at fair value and leasehold land and buildings which are stated at revalued amounts. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

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

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

Significant judgements in the application of International Financial Reporting Standards consist mainly of the evaluation of the carrying amount of goodwill for possible impairment (per note 8), the evaluation of the carrying amount of the investment in subsidiaries for possible impairment (per note 9), the assessment of residual values and depreciation rates applied to property, plant and equipment (per note 7), the evaluation of impairment associated with trade receivables (per notes 12 and 29) and calculating the provision for outstanding claims (per note 25).

Basis of consolidation

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

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

Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree at either:

- fair value; or
- their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in subsidiaries that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Significant accounting policies (cont.)

for the year ended 31 December 2012 (in Pula)

Property, plant and equipment

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

Leasehold land and buildings are stated at valuation on the basis of the most recently established open market values with current additions measured at cost. Revaluations are made with sufficient regularity to ensure that that the carrying amount does not differ materially from that which would have been determined using fair value at the reporting date. The Group currently obtains valuations of the land and buildings every five years.

Depreciation

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

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

Work-in-progress includes the costs of materials, labour and other costs incurred in the construction of work-in-progress at reporting date. Work-in-progress is transferred to property, plant and equipment when the assets are completed and commissioned. Work-in-progress is not depreciated and depreciation will commence at the earliest of when the asset is available for use or when the asset is commissioned.

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

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

Repairs and maintenance costs are charged to the statement of comprehensive income during the financial year in which these costs are incurred.

Impairment

Financial assets

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

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

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

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

Significant accounting policies (cont.)

for the year ended 31 December 2012 (in Pula)

Impairment (continued)

Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in the statement of comprehensive income. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses recognised in the prior periods are assessed at each reporting date for any indication that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment was recognised.

Investment in subsidiary

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

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

Goodwill

Goodwill represents amounts arising on acquisition of business units. The goodwill consists of the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment. Goodwill is reviewed annually for events or changes in circumstances which may indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount.

Inventories

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

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

Taxation

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

Current taxation comprises taxation payable calculated on the basis of the expected taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to taxation payable for previous years.

Deferred taxation is provided based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the reporting date. Deferred taxation is

Significant accounting policies (cont.)

for the year ended 31 December 2012 (in Pula)

Taxation (continued)

charged to the statement of comprehensive income except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination. The effect on taxation of any changes in tax rates is recognised in the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

The Society is not subject to taxation as it is exempt from taxation in terms of the second schedule of the Botswana Income Tax Act (Chapter 52:01).

Retirement benefits

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

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

Leases

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

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions

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

Significant accounting policies (cont.)

for the year ended 31 December 2012 (in Pula)

Provisions (continued)

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

Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business.

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

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

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

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

Interest received

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

Dividend income

Dividends are recognised when those dividends are appropriately authorised and declared.

Foreign currencies

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

Financial instruments

Financial assets

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

Cash and cash equivalents

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

Trade and other receivables

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

Significant accounting policies (cont.)

for the year ended 31 December 2012 (in Pula)

Financial assets (continued)

Investments
Investments are recognised on a trade-date basis and are initially measured at cost. Investments, including managed funds, are classified as available for sale investments and are measured subsequently at fair value. The fair value of the trading investments is based on quoted bid prices. Gains and losses arising on the fair value are recognised directly in equity. When these investments are derecognised, the cumulative gain or loss previously recognised in equity is included in the statement of comprehensive income. Available for sale investments are recognised or derecognised by the Group on the date it commits to purchase or sell the investment.

Financial liabilities

Trade and other payables
Liabilities for trade and other payables, which are normally settled on 30 to 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Interest bearing liabilities
Interest bearing loans and borrowings are initially recognised at cost, being the fair value of the consideration received and include acquisition charges associated with the borrowing/loan. After initial recognition, all interest-bearing loans and borrowings, other than liabilities held for trading, are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement.

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

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

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

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

- *IAS 27 (2011) Separate Financial Statements*: IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, some minor clarifications. The standard, which becomes effective for the Group's 2013 financial statements, is not expected to have a significant impact on its financial statements.

- *IAS 28 Investments in Associates and Joint Ventures (2011)*: IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. The amendments specifies that IFRS 5 is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest. The standard, which becomes effective for the Group's 2013 financial statements, is not expected to have any impact on its financial statements.

Significant accounting policies (cont.)

for the year ended 31 December 2012 (in Pula)

New standards and interpretations not yet effective (continued)

- *IFRS 9 (2009) Financial Instruments*: The standard addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The standard, which becomes effective for the Group's 2016 financial statements, is not expected to have a significant impact on its financial statements.

- *IFRS 9 (2010) Financial Instruments:* The standard addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39. Under IFRS 9, the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following aspects:
- Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

- Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

  The standard, which becomes effective for the Group's 2013 financial statements, is not expected to have a significant impact on its financial statements.

- *IFRS 10 Consolidated Financial Statements*: IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

- *IFRS 11 Joint Arrangements:* The standard will be applied retrospectively, subject to certain transitional provisions. The standard establishes that classification of the joint arrangement depends on whether parties have rights to and obligations for the underlying assets and liabilities.

  According to the standard, joint arrangements are divided into two types, each having its own accounting model:

  Joint operations whereby the jointly controlling parties, known as joint operators, have rights and obligations for the liabilities, relating to the arrangement, or

  Joint ventures whereby the joint controlling parties, known as joint ventures, have rights to the net assets of the arrangement.

  In terms of the standard, all joint ventures will have to be equity accounted. The standard, which becomes effective for the Group's 2013 financial statements, is not expected to have any impact on its financial statements.

- *IFRS 12 Disclosure of Interests in Other Entities:* The standard combines the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities in a single standard. The required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of the new standard will increase the level of disclosure provided for an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard will be incorporated into the Society's 2013 financial statements and will require comprehensive disclosures in respect of the risks associated with the Society's investment in subsidiaries.

Significant accounting policies (cont.)

for the year ended 31 December 2012 (in Pula)

New standards and interpretations not yet effective (continued)

- *FRS 13 Fair Value Measurement:* The standard will be applied prospectively and comparatives will not be restated. The standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in the standard are as follows:

  Fair value is an exit price;
  Measurement considers characteristics of the asset or liability and not entity-specific characteristics;
  Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants;
  Price is not adjusted for transaction costs; and
  Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs
  The three-level fair value hierarchy is extended to all fair value measurements.

  The standard, which becomes effective for the Group's 2013 financial statements, will require additional and comprehensive disclosures with regards to the fair value measurements applied to financial and non-financial assets and liabilities.

- *Amendments to IAS 19 Employee Benefits: Defined benefit plans:* This amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss are no longer permitted. Past service costs as well as gains and losses on curtailments/settlements are recognised in the statement of comprehensive income. Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation. The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled. The amendment, which becomes effective for the Group's 2013 financial statements, is not expected to have any impact on its financial statements.

- *Amendment to IAS 1 Presentation of Financial Statements:* The amendment requires an entity to present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related taxation effects for the two sub-categories have to be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. This amendment will be applied retrospectively and the comparative information will be restated. The amendment will be incorporated in the Group's 2013 financial statements.

- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine:* The interpretation sets out principles for the recognition of production stripping costs in the statement of financial position. The interpretation recognises that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalising such costs. The interpretation, which becomes effective for the Group's 2013 financial statements, is not expected to have any impact on its financial statements.

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.

Notes to the financial statements

for the year ended 31 December 2012 (in Pula)

	Group		Society	
	2012	2011	2012	2011
1 Special benefits				
Drugs and laboratory tests	12,368,046	10,830,155	12,368,046	10,830,155
Other costs	472,714	504,192	909,991	858,719
Staff salaries	1,991,705	1,906,090	1,991,705	1,906,090
Recoveries from members	(2,947,216)	(804,726)	(2,947,216)	(804,726)
Net special benefits paid during the year	11,885,249	12,435,711	12,322,526	12,790,238
2 Operating (deficit)/surplus				
The operating (deficit)/surplus is stated after taking into account the following items				
Audit fee - current year	561,200	463,964	291,200	277,964
Directors' - fees	233,222	147,876	117,222	70,770
- remuneration	1,306,052	-	-	-
Bad debts recovered	(22,538)	(23,687)	-	-
Fidelity insurance claim repayment	121,658	-	-	-
Movement in impairment loss accrual	669,399	(343,225)	-	-
Depreciation	3,094,292	2,742,620	947,053	932,040
Foreign exchange gain	(89,083)	(110,392)	(92,578)	(112,755)
Profit on disposal of plant and equipment	(306,704)	(18,403)	-	-
Staff costs	36,342,784	33,627,004	22,565,380	22,855,088
Operating lease rent -property	142,802	135,234	-	-
3 Interest received				
Call deposits	559,261	465,689	339,567	417,487
Short-term deposits	5,518,038	5,072,502	5,489,157	4,743,416
Interest on cash loss	16,867	-	-	-
	6,094,166	5,538,191	5,828,724	5,160,903
4 Dividend and other income				
Dividends received	4,112,873	4,767,554	4,112,873	6,982,503
Agency commission	120,830	87,672	120,830	87,672
Sundry income	101,266	82,288	101,266	82,288
Agency expenses	(1,230)	(3,458)	(1,230)	(3,458)
	4,333,739	4,934,056	4,333,739	7,149,005

Notes to the financial statements (cont.)

for the year ended 31 December 2012 (in Pula)

	Group		Society	
	2012	2011	2012	2011
5 Taxation				
Company tax at 22%	560,135	478,736	-	-
ACT credit on dividends paid	-	(85,454)	-	-
Withholding tax on dividends	-	191,104	-	-
Deferred tax movement	(82,327)	139,180	-	-
	477,808	723,566	-	-
Tax reconciliation				
Surplus/(deficit) before taxation	4,157,709	21,905,561	(3,308,946)	17,147,981
Taxation at 22%	914,696	4,819,223	(727,968)	3,772,556
VAT refund included in taxable income	8,001	-	-	-
Income exempt from income tax	(387,557)	(4,290,851)	727,968	(3,772,556)
Final withholding tax on dividends	-	191,104	-	-
Expenses not deductible for tax	47,938	89,544	-	-
Prior year over-provision of deferred tax	(105,270)	-	-	-
ACT credit on dividents paid	-	(85,454)	-	-
Taxation per statement of comprehensive income	477,808	723,566	-	-

6 Discontinued operations

Members of the Society authorised the separation of the administration of the fund to a separate, wholly owned subsidiary, Southview (Proprietary) Limited ("the subsidiary") at the annual general meeting held on 29 June 2012. The separation is effective from 1 January 2013 with all employees of the Society being transferred to the subsidiary. As part of the capitalisation process, all movable assets of the Society were transferred to the wholly owned subsidiary at fair values which were determined independently by CB Richards Ellis, professional valuers. All other business activities of the Society that were profit focussed have been transferred to the subsidiary. Income tax at 22% of any taxable income will now be payable by the subsidiary.

	Group 2012	Group 2011	Society 2012	Society 2011
Revenue from contracts	-	-	38,103,604	33,956,870
Wellness Program income	-	-	1,749,878	4,106,847
	-	-	39,853,482	38,063,717
Cost of services				
- Direct contracts costs	-	-	(32,911,143)	(30,350,055)
- Wellness Program costs	-	-	(1,727,652)	(2,717,978)
- Depreciation			(489,172)	(359,293)
	-	-	(35,127,967)	(33,427,326)
Surplus from discontinued operations	-	-	4,725,515	4,636,391

Notes to the financial statements (cont.)

for the year ended 31 December 2012 (in Pula)

6 Discontinued operations (continued)

The major classes of assets and liabilities of Botswana Medical Aid Society classified as held for sale as at 31 December are as follows:

	Society 2012	Society 2011
Assets		
Plant and equipment	1,799,253	-
Trade receivable	6,901,861	-
Wellness receivable	267,450	-
Assets classified as held for sale	8,968,564	-
Liabilities		
Trade payable	2,453,163	-
Staff related accruals	3,283,767	-
Value added tax payable	527,349	-
Liabilities directly associated with assets classified as held for sale	6,264,279	-
Net assets directly associated with disposal group	2,704,285	-

Notes to the financial statements (cont.)

for the year ended 31 December 2012 (in Pula)

7 Property, plant and equipment

7.1 Group	Leasehold land and buildings	Motor vehicles	Office equipment furniture and fittings	Office equipment	Work-in progress	Total
Cost/valuation						
Balance at beginning of the year	35,862,688	4,787,781	8,098,137	7,374,289	1,219,237	57,342,132
Additions	-	1,893,594	935,613	1,290,403	4,037,976	8,157,586
Transfer	1,415,299	-	-	-	(1,415,299)	-
Disposals	-	(922,322)	-	(1,748,164)	-	(2,670,486)
Balance at end of the year	37,277,987	5,759,053	9,033,750	6,916,528	3,841,914	62,829,232
Accumulated depreciation						
Balance at beginning of the year	5,602,984	3,275,561	7,416,607	5,502,396	-	21,797,548
Charge for the year	1,129,038	837,969	115,478	1,011,807	-	3,094,292
Disposals	-	(910,330)	-	(1,747,560)	-	(2,657,890)
Balance at end of the year	6,732,022	3,203,200	7,532,085	4,766,643	-	22,233,950
Net book values						
At 31 December 2012	30,545,965	2,555,853	1,501,665	2,149,885	3,841,914	40,595,282
At 31 December 2011	30,259,704	1,512,220	681,530	1,871,893	1,219,237	35,544,584

Leasehold land and buildings comprise of the following:

Lot 50638 Fairgrounds, Gaborone, measuring 4,386 square meters, which property is held under a Deed of Fixed Period State Grant for 50 years commencing 4 February 1994. This property was independently valued at P23 930 000 by CB Richards Ellis, Chartered Surveyor on the open market value basis in 2010.

Lot 60601, Block 7, Gaborone, measuring 1,1707 hectares, which property is held under a Deed of Fixed Period State Grant of 50 years commencing 27 November 2008. This property was independently valued by MG Properties on the open market value basis in September 2011 at P4 470 000. The property is encumbered as per note 19.

Lot 20623 Gaborone West, Extension 34, measuring 1,562 square metres, which property is held under a Deed of Fixed Period State Grant of 50 years commencing 17 February 1999. This property was independently valued by MG Properties on the open market value basis in January 2013 at P5 100 000. The property is encumbered as per note 19.

Tribal Lot 734, Maun measuring 1,337 square metres, which property is held under a long-term lease agreement of 50 years commencing 15 October 1996. This property was independently valued on the open market value basis by Roscoe Bonna Valuers, Chartered Surveyors in May 2010 at P700 000.

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.

Motor vehicles with a net book value of P2 361 061 (2011: P1 399 152), a printer with a net book value of P28 637 (2011: P 35 526) and a radio system with a net book value of P291 303 are encumbered as per note 17.

The estimated useful lives, residual values and depreciation methods are reviewed by management at each reporting date, with the effect of any changes in estimates 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.

7 Property, plant and equipment (continued)

7.2 Society	Leasehold land and buildings	Motor vehicles	Office equipment furniture and fittings	Office equipment	Work-in progress	Total
Cost/valuation						
Balance at beginning of the year	27,681,332	544,576	7,138,793	1,572,313	740,737	37,677,751
Additions	-	245,958	935,613	351,878	674,562	2,208,011
Transfers	1,415,299	-	-	-	(1,415,299)	-
Discontinued operations (note 6)	-	(790,534)	(8,074,406)	(1,924,191)	-	(10,789,131)
Balance at end of the year	29,096,631	-	-	-	-	29,096,631
Accumulated depreciation						
Balance at beginning of the year	4,613,495	544,576	6,765,942	1,190,188	-	13,114,201
Charge for the year	947,053	61,489	312,205	115,478	-	1,436,225
Discontinued operations (note 6)	-	(606,065)	(7,078,147)	(1,305,666)	-	(8,989,878)
Balance at end of the year	5,560,548	-	-	-	-	5,560,548
Net book values						
At 31 December 2012	23,536,083	-	-	-	-	23,536,083
At 31 December 2011	23,067,837	-	372,851	382,125	740,737	24,563,550

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 50 years commencing 4 February 1994. The leasehold land and buildings were independently revalued to P23 930 000 by CB Richards Ellis, Chartered Surveyor on the open market value basis in 2010. The revaluation surplus was credited to the revaluation reserve. The open market value basis is defined as the estimated amount for which the property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties each acted knowledgeably, prudently and without compulsion.

The estimated useful lives, residual values and depreciation methods are reviewed by management at each reporting date, with the effect of any changes in estimates 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.

7.3 Operating lease commitments

Operating leases relate to three office facilities with lease terms of between 2 to 3 years, with an option to extend for a further year. Two of the three operating lease contracts contain a fixed escalation clause of 10% per annum. The Group does not have an option to purchase the leased asset at the expiry of the lease period. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Society	
	2012	2011	2012	2011
Not later than 1 year	100,018	114,968	-	-
Later than 1 year but not later than 5 years	66,000	64,018	-	-
	166,018	178,986	-	-

7.4 Capital commitments

The board approved the development of a fit-for-purpose office building in Gaborone and a base office in Maun at a cost of P13.3 million. The buildings are currently being constructed on Lot 60601, Block 7, Gaborone and Lot 734 in Maun. Costs of P3 841 914 were incurred to the current reporting date and included as work-in-progress. P10.4 million of the total development cost will be financed by financial institutions with the remaining balance financed through cash flows from operating activities.

Notes to the financial statements (cont.)

for the year ended 31 December 2012 (in Pula)

	Group		Society	
	2012	2011	2012	2011
8 Goodwill				
Balance at beginning and end of year	371,093	371,093	-	-

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

9 Investment in subsidiaries

9.1 MRI Botswana Limited

	Group 2012	Group 2011	Society 2012	Society 2011
Balance at beginning and end of year	-	-	12,090,334	12,090,334
Shares held in MRI Botswana Limited				
Balance at beginning and end of year	-	-	9,672,267	9,672,267

The Society shareholding represents 53% of the total stated capital of MRI Botswana Limited.

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

The above shares were acquired at P1.25 each. MRI Botswana Limited is a company incorporated in Botswana.

On 12 February 2013, the Society, through its 100% owned subsidiary, Southview (Proprietary) Limited, acquired an additional 7,172,267 ordinary shares in MRI Botswana Limited increasing its total shareholding (directly and indirectly) to 93% of the total shareholding. The cost of this additional investment was BWP14.8 million.

9.2 Southview (Proprietary) Limited

	Group 2012	Group 2011	Society 2012	Society 2011
Investment in Southview (Proprietary) Limited	-	-	62,768	-
Shares held in Southview (Proprietary) Limited			1,100	-

Southview (Proprietary) Limited is a wholly owned subsidiary of the Society. Southview (Proprietary) Limited is a company incorporated in Botswana.

A detailed impairment assessment performed by management at year end indicated that the investment in Southview (Proprietary) Limited was not impaired. The assessment was based on the five year estimated future cash flows of Southview (Proprietary) Limited. Refer to note 6 for additional information.

	Group 2012	Group 2011	Society 2012	Society 2011
Total investments in subsidiaries at cost	-	-	12,153,102	12,090,334

Notes to the financial statements (cont.)

for the year ended 31 December 2012 (in Pula)

10 Available-for-sale investments

	Group		Society	
	2012	2011	2012	2011
At valuation				
10.1 Available for sale listed investments - local				
FIRST NATIONAL BANK OF BOTSWANA LIMITED 16 598 000 (2011: 16 598 000) ordinary shares	46,474,400	43,154,800	46,474,400	43,154,800
BARCLAYS BANK OF BOTSWANA LIMITED 1 590 000 (2011: 1 590 000) ordinary shares	10,335,000	10,812,000	10,335,000	10,812,000
SEFALANA HOLDING COMPANY LIMITED 786 616 (2011: 786 616) ordinary shares	2,556,502	2,202,525	2,556,502	2,202,525
SECHABA BREWERY HOLDINGS LIMTED. 200 000 (2011: 200 000) ordinary shares	3,150,000	2,410,000	3,150,000	2,410,000
G4S (BOTSWANA) LIMITED 150 000 (2011: 150 000) ordinary shares	825,000	900,000	825,000	900,000
BOTSWANA INSURANCE HOLDINGS LIMITED 887 779 (2011: 887 779) ordinary shares	9,188,513	8,611,456	9,188,513	8,611,456
STANDARD CHARTERED BANK BOTSWANA LIMITED 500 000 (2011: 500 000) ordinary shares	5,000,000	4,500,000	5,000,000	4,500,000
K Y S INVESTMENTS LIMITED 154 200 (2011: 154 200) ordinary shares	107,940	100,230	107,940	100,230
FURNMART LIMITED 322 020 (2011: 322 020) ordinary shares	515,232	483,030	515,232	483,030
ENGEN BOTSWANA LIMITED 30 000 (2011: 30 000) ordinary shares	184,800	165,000	184,800	165,000
CHOBE HOLDINGS LIMITED 56 969 (2011: 56 969) ordinary shares	145,271	122,483	145,271	122,483
TURNSTAR HOLDINGS LIMITED 1 000 000 (2011: 1 000 000) linked units	1,490,000	1,300,000	1,490,000	1,300,000
Local investments	79,972,658	74,761,524	79,972,658	74,761,524
At valuation				
10.2 Available for sale listed investments - offshore				
African Alliance - Global Income Fund	15,285,025	13,900,033	15,285,025	13,900,033
BIFM offshore equities	36,751,200	26,431,233	36,751,200	26,431,233
BIFM fixed interest fund	19,068	18,079	19,068	18,079
BIFM offshore bonds	15,553,339	13,334,438	15,553,339	13,334,438
BIFM offshore money market	477,674	5,686,800	477,674	5,686,800
African Alliance - Global Allocation Fund	3,430,559	3,030,940	3,430,559	3,030,940
Fleming Asset Management	10,067,577	8,709,286	10,067,577	8,709,286
Offshore investments	81,584,442	71,110,809	81,584,442	71,110,809
Total available for sale investments	161,557,100	145,872,333	161,557,100	145,872,333

	Group 2012	Group 2011	Society 2012	Society 2011
11 Inventory				
Dispensary drugs, medicines and other consumables	1,806,554	1,102,171	1,743,800	1,007,662
12 Trade receivables				
Trade receivables	25,293,825	20,419,900	13,324,533	15,464,237
Less impairment loss accrual	(1,215,383)	(545,984)	-	-
	24,078,442	19,873,916	13,324,533	15,464,237
13 Other receivables				
Dividends	-	57,207	-	57,207
Contributions	258,065	464,660	258,065	464,660
Other receivables	3,969,451	1,890,871	3,511,171	1,590,722
Amounts due from related parties (note 28.3)	-	-	90,600	-
	4,227,516	2,412,738	3,859,836	2,112,589
14 Short-term investment				
African Alliance	1,827	1,757	1,827	1,757
Botswana Building Society Indefinite Period Paid-Up Shares	59,826,051	54,336,964	59,826,051	54,336,964
	59,827,878	54,338,721	59,827,878	54,338,721

The Botswana Building Society Indefinite Period Paid-Up Shares are only redeemable at the option of the Botswana Building Society by giving Botswana Medical Aid Society a notice period of six (6) months. The shares earn an annual investment income of 9.25%.

	Group 2012	Group 2011	Society 2012	Society 2011
15 Cash and cash equivalents				
Cash and bank balances (note 15.1)	45,630,087	37,731,481	38,111,471	33,279,406
Short term investments (note 15.2)	1,827	1,757	1,827	1,757
Outstanding cheques for claims (note 15.3)	(5,180,322)	(4,266,479)	(5,180,322)	(4,266,479)
	40,451,592	33,466,759	32,932,976	29,014,684

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

15.2 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.

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

Notes to the financial statements (cont.)
for the year ended 31 December 2012 (in Pula)

	Group 2012	Group 2011	Society 2012	Society 2011
16 Revaluation reserve				
Available for sale reserve				
Balance at beginning of year	115,985,290	101,019,951	115,985,290	101,019,951
Revaluation during the year	15,684,767	14,965,339	15,684,767	14,965,339
Balance at end of year	131,670,057	115,985,290	131,670,057	115,985,290
Property revaluation				
Balance at beginning and end of year	18,435,762	18,435,762	18,435,762	18,435,762
Total revaluation reserve at end of year	150,105,819	134,421,052	150,105,819	134,421,052

17 Finance lease obligations

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

Finance charges are calculated at an effective interest rate of 11% per annum on motor vehicles and the radio system and 13% per annum on the printer. Annual interest on finance leases is charged at prime for motor vehicles and the radio system and prime plus 2% on the printer. The finances leases are secured over the motor vehicles, radio system and printer which were financed at an original cost of P3 447 969 (2011: P1 802 728), P321 207 and P54 300 (2011: P54 300) respectively.

Gross finance lease liabilities - minimum lease payments:

	Group 2012	Group 2011	Society 2012	Society 2011
Not later than 1 year	1,182,044	625,788	-	-
Later than 1 year but not more than 5 years	1,305,428	894,266	-	-
	2,487,472	1,520,054	-	-
Future finance charges on the finance lease liabilities	(311,725)	(199,714)	-	-
Present value of the finance lease liabilities	2,175,747	1,320,340	-	-
18 Bank loan				
Balance at beginning of year	446,781	500,000	-	-
Repayments	(90,307)	(57,354)	-	-
Accrued interest	3,272	4,135	-	-
Balance at end of year	359 746	446 781	-	-
Not later than 1 year	99,415	90,307	-	-
Later than 1 year but not later than 5 years	260,331	356,474	-	-
	359,746	446,781	-	-

Interest is calculated at an effective interest rate of 11% per annum on the bank loan. Interest on the bank loan is charged at prime. The bank loan is unsecured and is repayable over a five year period in equal monthly instalments commencing 1 April 2011.

	Group		Society	
	2012	2011	2012	2011
19 Property development loan				
Disbursements during the year	2 497 007	-	-	-
Capitalised interest	48 437	-	-	-
Interest payments	(29,750)	-	-	-
	2 515 694	-	-	-
Not later than 1 year	159 647	-	-	-
Later than 1 year but not later than 5 years	1 454 108	-	-	-
More than 5 years	901 939	-	-	-
	2 515 694	-	-	-

The Group is currently developing a fit-for-purpose office building at an estimated cost of P13.3 million on Lot 60601, Block 7, Gaborone and a base office in Maun (per note 7.1). Costs of P3 841 914 were incurred to the current reporting date and included as work-in-progress per note 7.1. P10.4 million of the total estimated development cost is being financed by financial institutions with the remaining balance financed through cash flows from operating activities.

Interest is calculated at an effective interest rate of 11% per annum on the property development loan. Interest is charged at prime.

Principal repayments will commence after the loan is fully drawn, most likely July 2013. Currently only interest is payable on the loan. The loan is repayable over a fifteen (15) year period. Instalments will be paid monthly.

Bank Gaborone Limited ("the bank") has a First Covering Mortgage Bond for P9.21 million over Plot 60601, Block 7, Gaborone. It also has a Registered Cession of Fire Policy of P14.66 million during development of the fit-for-purpose office building. The bank has a First Covering Mortgage Bond for P4.3 million over Plot 20623, Extension 34, Gaborone and a registered cession of fire policy for P5.13 million over the same building.

On completion of the construction of the office building, the bond over Plot 20623, Extension 34, Gaborone will be released only if the bond over Plot 60601 adequately covers the bank's exposure.

	Group 2012	Group 2011	Society 2012	Society 2011
20 Retention payable				
Retention due to contractor	251,310	-	-	-

The construction contract for the office building on Plot 60601, Block 7, Gaborone provides for a retention to be released at the end of the defects liability period. The defects liability period is defined as six months or such extended time if necessary to enable a test of the roof by heavy rains to be made. The expected completion of the construction of the building is June 2013 but tests of the roof by heavy rains can only occur after the rainy season hence the amount is likely to be paid during the year ending 31 December 2014.

Notes to the financial statements (cont.)
for the year ended 31 December 2012 (in Pula)

	Group		Society	
	2012	2011	2012	2011
21 Deferred taxation				
21.1Reconciliation				
Balance at beginning of year	(1,374,520)	(1,400,669)	-	-
Movement per statement of comprehensive income	82,327	(139,180)	-	-
Fair valuation of subsidiary land and buildings	-	165,329	-	-
Balance at end of year	(1,292,193)	(1,374,520)	-	-
21.2 Analysis of deferred taxation				
Accelerated capital allowances on plant and equipment	(79,768)	(163,287)	-	-
Fair valuation of subsidiary land and buildings	(1,212,425)	(1,212,425)	-	-
Deferred rental liability	-	1,192	-	-
	(1,292,193)	(1,374,520)	-	-
22 Deferred rental liability				
Balance at beginning of year	5,417	5,310	-	-
Movement per statement of comprehensive income	(5,417)	107	-	-
Balance at end of year	-	5,417	-	-
23 Trade and other payables				
Staff related accruals	4,858,507	4,824,041	-	3,663,182
Accruals and other creditors	14,297,877	8,774,783	7,676,592	5,133,103
Amounts due to related parties (note 28.3)	-	-	170,620	737,984
	19,156,384	13,598,824	7,847,212	9,534,269

24 Subscriptions received in advance

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

25 Provision for outstanding claims

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

26 Fidelity cover

In accordance with the rules of the fund, fidelity cover of P2 000 000 (2011: P2 000 000) has been procured.

27 Contingencies

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

The Group is currently a defendant of a lawsuit of P32 725 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 was recognised.

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

Two ex-employees have instituted compensation claims against the Group in the Industrial Court for a total of BWP43 300.

The Board has evaluated the current circumstances with regards to the above outstanding cases against the Group and are confident that no liability or negative cash flows will be incurred as a result of the outstanding claims.

First National Bank of Botswana Limited has issued a performance bond of BWP1.6 million to the Ministry of Health with respect to the Anti-Retriviral Therapy services contract on behalf of Botswana Medical Aid Society. The performance bond expires on 31 January 2014

28 Related parties

Related party transactions include all transactions between the Society and entities under common ownership or control and the remunerations to the board of management and key members of management. Transactions with related parties are entered into on an arm's length basis and in the normal course of business.

	Group		Society	
	2012	2011	2012	2011
28.1 Remuneration to key members of management				
Directors' fees	233,222	147,876	117,222	70,770
Directors' remuneration	1,306,052	-	-	-
Compensation to key members of management	6,825,255	6,428,016	4,214,197	3,104,678
	8,364,529	6,575,892	4,331,419	3,175,448
28.2 Related party transactions				
28.2 i These include payments by Botswana Medical Aid Society to MRI Botswana Limited for services rendered:				
Medical rescue services	-	-	6,959,387	5,829,554
Disease management services	-	-	750,836	765,259
Counselling services	-	-	437,277	397,070
Well @ Work programme	-	-	175,956	301,944
	-	-	8,323,456	7,293,827

	Group		Society	
	2012	2011	2012	2011
28 Related parties (continued)				
28.2 ii These include payments by MRI Botswana Limited to Botswana Medical Aid Society for services rendered:				
Shared services cost	-	-	262,987	-
Employee subscriptions for medical aid	-	-	829,378	-
	-	-	1,092,365	-
28.3 Year end balances arising from the rendering of services:				
MRI Botswana Limited (note 23) - payable	-	-	170,620	737,984
MRI Botswana Limited - receivable	-	-	82,544	-
Southview (Proprietary) Limited - receivable	-	-	8,056	-
Amounts due from related parties (note 13)	-	-	90,600	-

The balance payable at year-end is interest free, unsecured and without any fixed repayment terms.

29 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 are described below together with a summary of the ways in which the Group manages these risks.

Market risk

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

Interest rate risk

Financial instruments subject to interest rate risk are as follows:

	Group 2012	Group 2011	Society 2012	Society 2011
Finance lease obligations	(2,175,747)	(1,320,340)	-	-
Bank loan	(359,746)	(446,781)	-	-
Property development loan	(2,515,694)	-	-	-
Short-term investments	59,827,878	54,338,721	59,827,878	54,338,721
Call accounts and money market funds	34,805,869	26,560,296	28,996,755	23,934,812
	89,582,560	79,131,896	88,824,633	78,273,533

	Group		Society	
	2012	2011	2012	2011

29 Financial instruments (continued)

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

Rand call accounts	2.58%	2.58%	1.00%	2.58%
Pula call accounts	1.00%	0.00%	1.00%	0.00%
GBP call accounts	1.25%	1.25%	1.25%	1.25%
Finance lease liabilities (motor and radio system)	11.00%	10.00%	-	-
Finance lease liabilities (printer)	13.00%	13.00%	-	-
Bank loan	11.00%	11.00%	-	-
Property development loan	11.00%	-	-	-
African Alliance	6.84%	4.46%	6.84%	4.46%
Botswana Building Society Indefinite Period Paid-Up Shares	9.25%	10.00%	9.25%	10.00%

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

	GBP	Pula	Rand
2012 Call deposits	902,619	33,830,896	72,354
2011 Call deposits	734,506	25,750,729	75,061

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

	GBP	Pula	Rand
2012 Call deposits	902,619	28,021,782	72,354
2011 Call deposits	734,506	23,125,245	75,061

Maturity analysis for short-term investments	Interest rate	Maturity date	Pula
2012			
African Alliance	6.84%	31-Mar-13	1,827
Botswana Building Society Indefinite Period Paid-Up Shares	9.25%	30-Jun-13	59,826,051
			59,827,878
2011			
African Alliance	4.46%	31-Mar-12	1,757
Botswana Building Society Indefinite Period Paid-Up Shares	10.00%	30-Jun-12	54,336,964
			54,338,721

Sensitivity to interest rate movement

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

29 Financial instruments (continued)

	Current rate	New rate	Principal amount	Effect on the surplus
Group 2012				
Finance lease liabilities (motor & radio system)	11.00%	11.50%	(2,163,277)	(10,816)
Finance lease liabilities (printer)	13.00%	13.50%	(12,470)	(62)
Bank loan	11.00%	11.50%	(359,746)	(1,799)
Property development loan	11.00%	11.50%	(2,515,694)	(12,578)
			(5,051,187)	(25,255)
Short-term investments				
African Alliance	6.84%	7.34%	1,827	9
Botswana Building Society Indefinite Period Paid-Up Shares	9.25%	9.75%	59,826,051	299,130
Call and short term deposit funds	1.00%	1.50%	34,805,869	174,029
			94,633,747	473,168
Group 2011				
Finance lease liabilities (motor)	10.00%	10.50%	(1,289,046)	(6,445)
Finance lease liabilities (printer)	13.00%	13.50%	(31,294)	(156)
Bank loan	11.00%	11.50%	(446,781)	(2,234)
			(1,767,121)	(8,835)
Short-term investments				
African Alliance	4.46%	4.96%	1,757	9
Botswana Building Society Indefinite Period Paid-Up Shares	10.00%	10.50%	54,336,964	271,684
Call and short term deposit funds	0.00%	0.50%	26,560,296	132,801
			80,899,017	404,494
Society 2012				
African Alliance	6.84%	7.34%	1,827	9
Botswana Building Society Indefinite Period Paid-Up Shares	9.25%	9.75%	59,826,051	299,130
Call and short term deposit funds	1.00%	1.50%	28,996,755	144,984
			88,824,633	444,123
Society 2011				
African Alliance	4.46%	4.96%	1,757	9
Botswana Building Society Indefinite Period Paid-Up Shares	10.00%	10.50%	54,336,964	271,684
Call and short term deposit funds	0.00%	0.50%	23,934,812	119,674
			78,273,533	391,367

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.

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		Society	
	2012	2011	2012	2011
29 Financial instruments (continued)				
Credit risk (continued)				
Trade receivables	24,078,442	19,873,916	13,324,533	15,464,237
Other receivables	4,227,516	2,412,738	3,859,836	2,112,589
Cash and cash equivalents	40,451,592	33,466,759	32,932,976	29,014,684
Short-term investment	59,826,051	54,336,964	59,826,051	54,336,964
Investments (offshore)	81,584,442	71,110,809	81,584,442	71,110,809
	210,168,043	181,201,186	191,527,838	172,039,283

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of medical aid subscriptions receivable included in trade receivables, as these balances relate to customers with a good credit history with the Group. Total medical aid subscriptions included in trade receivables at year-end were P13 324 533 (2011: P15 464 237).

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

As at year end, Group trade receivables of P18 736 309 (2011: P18 230 506) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

	Group 2012	Group 2011	Society 2012	Society 2011
Up to 2 months	17,405,367	15,638,324	13,004,755	14,855,863
2 to 3 months	242,124	436,394	37,600	40,749
3 to 4 months	185,728	383,324	41,072	36,504
Over 4 months	903,090	1,772,464	241,106	531,121
	18,736,309	18,230,506	13,324,533	15,464,237

Of the Group trade receivable balance at year end, a total of P3 373 113 (2011: P3 471 286) is due from medical aid societies and major corporate companies as analysed below:

	Group	
	2012	2011
Botswana Public Officers Medical Aid Scheme	494,315	482,422
China National Electrical Equipment Corporation	246,288	220,467
Directorate on Corruption and Economic Crime	52,686	334,383
Discovery Copper Botswana (Proprietary) Limited	537,748	-
Gem Diamonds Botswana (Proprietary) Limited	203,636	429,837
Messina Copper Botswana (Proprietary) Limited	130,603	445,099
Ministry of Agriculture	-	301,678
Ministry of Health	355,475	338,715
Motor Vehicle Accident Fund	1,062,557	639,471
Pula Medical Aid Fund	289,805	279,214
	3,373,113	3,471,286
Movement for the provision for impairment		
Balance at beginning of year	545,984	889,209
Movement in accrual for impairment allowance	669,399	(343,225)
Balance at end of year	1,215,383	545,984

29 Financial instruments (continued)
Liquidity risk

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

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

	Carrying amount	Contractual	6 months or less
Group 2012			
Trade and other payables	(19,156,384)	(19,156,384)	(19,156,384)
Finance lease obligations	(2,175,747)	(2,175,747)	(495,802)
Bank loan	(359,746)	(359,746)	(49,708)
Property development loan	(2,515,694)	(2,515,694)	(79,824)
Subscriptions received in advance	(641,484)	(641,484)	(641,484)
Outstanding cheques for claims	(5,180,322)	(5,180,322)	(5,180,322)
Provisions for outstanding claims	(23,225,953)	(23,225,953)	(23,225,953)
Retention payable	(251,310)	(251,310)	-
	(53 506 640)	(53 506 640)	(48 829 477)
Group 2011			
Trade and other payables	(13,598,823)	(13,598,823)	(13,598,823)
Finance lease obligations	(1,320,340)	(1,320,340)	(251,703)
Bank loan	(446,781)	(446,781)	(45,154)
Subscriptions received in advance	(562,196)	(562,196)	(562,196)
Outstanding cheques for claims	(4,266,479)	(4,266,479)	(4,266,479)
Provisions for outstanding claims	(11,540,264)	(11,540,264)	(11,540,264)
	(31,734,883)	(31,734,883)	(30,264,619)
Society 2012			
Trade and other payables	(7,847,212)	(7,847,212)	(7,847,212)
Subscriptions received in advance	(641,484)	(641,484)	(641,484)
Outstanding cheques for claims	(5,180,322)	(5,180,322)	(5,180,322)
Provisions for outstanding claims	(23,225,953)	(23,225,953)	(23,225,953)
	(36,894,971)	(36,894,971)	(36,894,971)
Society 2011			
Trade and other payables	(9,534,269)	(9,534,269)	(9,534,269)
Subscriptions received in advance	(562,196)	(562,196)	(562,196)
Outstanding cheques for claims	(4,266,479)	(4,266,479)	(4,266,479)
Provisions for outstanding claims	(11,540,264)	(11,540,264)	(11,540,264)
	(25,903,208)	(25,903,208)	(25,903,208)

Exposure to currency risk

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

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

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

Notes to the financial statements (cont.)

for the year ended 31 December 2012 (in Pula)

29 Financial instruments (continued)

Currency risk (continued)

	GBP	Rand	Pula equivalent
2012			
Cash and cash equivalents	73,226	2,783,615	3,383,717
	GBP/BWP	ZAR/BWP	
Year-end translation rate – Buy	12.327	1.122	
Year-end translation rate – Sell	12.770	1.059	
2011			
Cash and cash equivalents	62,312	79,114	809,567
Provision for outstanding claims	-	(605,501)	(574,479)
	GBP/BWP	ZAR/BWP	
Year-end translation rate – Buy		11.378	1.117
Year-end translation rate – Sell		11.788	1.054

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

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

The analysis is performed on the same basis for 2011.

	Surplus for the year
2012	(307,611)
2011	(21,372)

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

Price risk

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

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

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

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

Fair value 2012	161,557,100
Fair value 2011	145,872,333

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

2012	16,155,710
2011	14,587,233

These gains or losses are allocated directly to equity.

Notes to the financial statements (cont.)

for the year ended 31 December 2012 (in Pula)

29 Financial instruments (continued)

Categorisation of assets and liabilities (Group)

		Financial assets and liabilities				Current/non-current distinction	
2012	Total	Financial assets designated at fair value	Loans and receivables	Financial liabilities at amortised cost	Other non-financial assets and liabilities	Current assets and liabilities	Non-current assets and liabilities
Assets							
Property, plant and equipment	36,753,368	-	-	-	36,753,368	-	36,753,368
Work-in-progress	3,841,914	-	-	-	3,841,914	-	3,841,914
Goodwill	371,093	-	-	-	371,093	-	371,093
Available for sale investments	161,557,100	161,557,100	-	-	-	-	161,557,100
Inventories	1,806,554	-	-	-	1,806,554	1,806,554	-
Trade receivables	24,078,442	-	24,078,442	-	-	24,078,442	-
Other receivables	4,227,516	-	4,227,516	-	-	4,227,516	-
Short term investments	59,827,878	59,827,878	-	-	-	59,827,878	-
Cash and cash equivalents	45,630,087	-	45,630,087	-	-	45,630,087	-
Taxation refundable	404,773	-	-	-	404,773	404,773	-
	338,498,725	221,384,978	73,936,045	-	43,177,702	135,975,250	202,523,475
Liabilities							
Finance lease obligations	2,175,747	-	-	2,175,747	-	991,603	1,184,144
Bank loan	359,746	-	-	359,746	-	99,415	260,331
Property development loan	2,515,694	-	-	2,515,694	-	159,647	2,356,047
Retention payable	251,310	-	-	251,310	-	-	251,310
Deferred taxation	1,292,193	-	-	-	1,292,193	-	1,292,193
Trade and other payables	19,156,384	-	-	19,156,384	-	19,156,384	-
Subscriptions received in advance	641,484	-	-	641,484	-	641,484	-
Outstanding cheques for claims	5,180,322	-	-	5,180,322	-	5,180,322	-
Provision for outstanding claims	23,225,953	-	-	23,225,953	-	23,225,953	-
	54,798,833	-	-	53,506,640	1,292,193	49,454,808	5,344,025

Notes to the financial statements (cont.)

for the year ended 31 December 2012 (in Pula)

29 Financial instruments (continued)

Categorisation of assets and liabilities (Group)

2011	Total	Financial assets and liabilities: Financial assets designated at fair value	Financial assets and liabilities: Loans and receivables	Financial assets and liabilities: Financial liabilities at amortised cost	Other non-financial assets and liabilities	Current/non-current distinction: Current assets and liabilities	Current/non-current distinction: Non-current assets and liabilities
Assets							
Property, plant and equipment	34,325,347	-	-	-	34,325,347	-	34,325,347
Work in progress	1,219,237	-	-	-	1,219,237	-	1,219,237
Goodwill	371,093	-	-	-	371,093	-	371,093
Available for sale investments	145,872,333	145,872,333	-	-	-	-	145,872,333
Inventories	1,102,171	-	-	-	1,102,171	1,102,171	-
Trade receivables	19,873,916	-	19,873,916	-	-	19,873,916	-
Other receivables	2,412,738	-	2,412,738	-	-	2,412,738	-
Short term investments	54,338,721	54,338,721	-	-	-	54,338,721	-
Cash and cash equivalents	37,731,481	-	37,731,481	-	-	37,731,481	-
Taxation refundable	206,850	-	-	-	206,850	206,850	-
	297,453,887	200,211,054	60,018,135	-	37,224,698	115,665,877	181,788,010
Liabilities							
Finance lease obligations	1,320,340	-	-	1,320,340	-	503,405	816,935
Bank loan	446,781	-	-	446,781	-	90,307	356,474
Deferred taxation	1,374,520	-	-	-	1,374,520	-	1,374,520
Deferred rental liability	5,417	-	-	-	5,417	5,417	-
Trade and other payables	13,598,823	-	-	13,598,823	-	13,598,823	-
Subscriptions received in advance	562,196	-	-	562,196	-	562,196	-
Outstanding cheques for claims	4,266,479	-	-	4,266,479	-	4,266,479	-
Provision for outstanding claims	11,540,264	-	-	11,540,264	-	11,540,264	-
	33,114,820	-	-	31,734,883	1,379,937	30,566,891	2,547,929

Notes to the financial statements (cont.)

for the year ended 31 December 2012 (in Pula)

29 Financial instruments (continued)

Categorisation of assets and liabilities (Society)

2012	Total	Financial assets and liabilities: Financial assets designated at fair value	Financial assets and liabilities: Loans and receivables	Financial assets and liabilities: Financial liabilities at amortised cost	Other non-financial assets and liabilities	Current/non-current distinction: Current assets and liabilities	Current/non-current distinction: Non-current assets and liabilities
Assets							
Property, plant and equipment	23,536,083	-	-	-	23,536,083	-	23,536,083
Investment in subsidiary	12,153,102	-	-	-	12,153,102	-	12,153,102
Available for sale investments	161,557,100	161,557,100	-	-	-	-	161,557,100
Inventories	1,743,800	-	-	-	1,743,800	1,743,800	-
Trade receivables	13,324,533	-	13,324,533	-	-	13,324,533	-
Other receivables	3,859,836	-	3,859,836	-	-	3,859,836	-
Short term investments	59,827,878	59,827,878	-	-	-	59,827,878	-
Cash and cash equivalents	38,111,471	-	38,111,471	-	-	38,111,471	-
Assets classified as held for sale	8,968,564	-	-	-	8,968,564	8,968,564	-
	323,082,367	221,384,978	55,295,840	-	46,401,549	125,836,082	197,246,285
Liabilities							
Trade and other payables	7,847,212	-	-	7,847,212	-	7,847,212	-
Subscriptions received in advance	641,484	-	-	641,484	-	641,484	-
Outstanding cheques for claims	5,180,322	-	-	5,180,322	-	5,180,322	-
Provision for outstanding claims	23,225,953	-	-	23,225,953	-	23,225,953	-
Liabilities associated with assets classified as held for sale	6,264,279	-	-	-	6,264,279	6,264,279	-
	43,159,250	-	-	36,894,971	6,264,279	43,159,250	-

29 Financial instruments (continued)

Categorisation of assets and liabilities (Society)

2011	Total	Financial assets and liabilities: Financial assets designated at fair value	Loans and receivables	Financial liabilities at amortised cost	Other non-financial assets and liabilities	Current/non-current distinction: Current assets and liabilities	Non-current assets and liabilities
Assets							
Property, plant and equipment	23,822,813	-	-	-	23,822,813	-	23,822,813
Work in progress	740,737	-	-	-	740,737	-	740,737
Investment in subsidiary	12,090,334	-	-	-	12,090,334	-	12,090,334
Available for sale investments	145,872,333	145,872,333	-	-	-	-	145,872,333
Inventories	1,007,662	-	-	-	1,007,662	1,007,662	-
Trade receivables	15,464,237	-	15,464,237	-	-	15,464,237	-
Other receivables	2,112,589	-	2,112,589	-	-	2,112,589	-
Short term investments	54,338,721	54,338,721	-	-	-	54,338,721	-
Cash and cash equivalents	33,279,406	-	33,279,406	-	-	33,279,406	-
	288,728,832	200,211,054	50,856,232	-	37,661,546	106,202,615	182,526,217
Liabilities							
Trade and other payables	9,534,269	-	-	9,534,269	-	9,534,269	-
Subscriptions received in advance	562,196	-	-	562,196	-	562,196	-
Outstanding cheques for claims	4,266,479	-	-	4,266,479	-	4,266,479	-
Provision for outstanding claims	11,540,264	-	-	11,540,264	-	11,540,264	-
	25,903,208	-	-	25,903,208	-	25,903,208	-

29 Financial instruments (continued)

Fair values

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

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

30 Retirement benefits

The Group contributes to the following defined contribution pension plans:

30.1 Botswana Medical Aid Pension Fund which is held independent of the Group and is administered by Glenrand MIB Botswana (Proprietary) Limited.

30.2 Sentlhaga Pension Fund which is held independent of the Group and is administered by Aon Botswana (Proprietary) Limited.

31 Events after the reporting date

Members of the Society authorised the separation of the administration of the fund to a separate wholly owned subsidiary, Southview (Proprietary) Limited ("the subsidiary") at the annual general meeting held on 29 June 2012. The subsidiary became fully operational with effect from 1 January 2013 with all employees and associated assets and liabilities being transferred to the subsidiary. As part of the capitalisation of the subsidiary, the Botswana Medical Aid Society funded the acquisition of a 40% shareholding in MRI Botswana Limited on 12 February 2013 on behalf of the subsidiary. This 40% shareholding together with the 53% shareholding held directly by the Society, makes MRI Botswana Limited a 93% owned subsidiary of the Group. The impact of the decision to commence commercial business activities is shown in note 6, discontinued operations. There is also a plan to transfer the 53% shareholding in MRI Botswana Limited to Southview (Proprietary) Limited. No significant impact on the Group results and financial position is expected except for income tax that will be due on some of the business activities that were previously undertaken by the Society as disclosed in note 6.

No other matters, arising since the end of the financial year not dealt with in these financial statements, which would significantly affect the operations or the results of operations of the Society or Group were noted.

Administration Expenses for the Society

for the year ended 31 December 2012 (in Pula)

	2012	2011
Audit fee - current year	291,200	277,964
Annual general meeting costs	138,782	81,770
Bank charges	631,374	550,201
Card replacement revenue	(43,850)	(47,400)
Consultancy and computer expenses	2,251,452	1,915,166
Electricity and water	434,614	290,163
Foreign exchange gain	(92,578)	(112,75)
Ezcap licence fees	704,130	648,452
General and entertainment expenses	47,038	33,135
Directors' fees	117,222	70,770
Group life assurance premiums	146,434	130,022
Insurances	276,913	177,130
Marketing and business development	1,278,490	1,423,963
Microfilming, archiving and retrieval	228,460	245,798
Motor vehicle expenses	115,467	102,399
Office and equipment expenses and repairs	183,004	170,286
Office rental	280,622	192,560
Pension administration costs	253,947	248,224
Pension costs	2,207,302	2,188,056
Postage and courier	424,721	348,619
Printing and stationery	404,955	359,724
Rates	24,224	24,224
Property repairs and maintenance	59,714	48,680
Salaries and allowances	19,523,190	20,168,641
Security	101,727	87,015
Inpatient	1,069,944	961,329
Optometry	741,793	837,693
Pathology and Radiology	788,140	366,588
Staff gratuity	834,888	498,391
Staff recruitment	63,368	76,411
Staff training and development	131,495	24,972
Subscriptions	228,237	119,946
Teas and cleaning	373,251	313,142
Telephone	848,815	829,145
Transport Costs	20,342	32,255
Travel	252,129	160,631
Project OR	838,264	1,242,845
	36,179,220	35,086,155

This schedule is not covered by the audit opinion and is prepared solely for the information of the members.

Notice of the 42nd Annual General Meeting

Notice is hereby given that the 42nd Annual General Meeting (AGM) of the Members of Botswana Medical Aid Society will be held in Gaborone at Gaborone Sun Conference Centre on Friday 28th June 2013 at 10:00 hours for the following purpose.

1. To receive, and adopt audited financial statements for the year ended 31st December 2012 together with Directors and External Auditors reports thereon.

2. To appoint Auditors of the Society for the ensuing year

3. To reappoint Mr. Gratian Rutta to the Board of Trustees, who in terms of Rule 19(4) read with Rule 19(18) retires by rotation, and being eligible, offers himself for reappointment.

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

1. Copy of the audited financial statements of the Society for the year ended 31st December 2012.
2. Copy of the minutes of the Annual General Meeting held on the 29th June 2012.

By order of the Board

Dennis Alexander
Principal Officer

BOMaid
BOTSWANA MEDICAL AID SOCIETY
The medical aid you can trust

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Notes