

BENEFIT BEAT



Summary of Financial Statements for 2008

120 Years and still going strong!

The De Beers Benefit Society celebrates its 120th birthday this year. From its humble beginnings in 1889, the Society has grown to a fully-fledged medical scheme that offers members and their dependants comprehensive, quality medical cover. To have thrived as a business for so long speaks volumes, not only about the service we deliver but also about our ability to adapt quickly to rapidly changing circumstances.

Proud to mention...

The Society has a solvency ratio of 141%

The Society remains confident of its ability to pay claims. We ended the financial year with an overall investment return of 8.9%, R308 million in accumulated funds and a solvency ratio of 141%. Accumulated funds are matched by investments that generated an income of R29 million, contributing to the sustainability of the Society.

In view of the long-term cost pressures that the increasing number of pensioners will eventually place on the Society, and the ongoing

challenges of a rapidly changing South African healthcare environment, it is crucial that the Society maintains a high reserve level to assist in ensuring our financial stability and viability.

Fewer, but older, members & higher claims per member

The Society and Group reflected a surplus from operations for 2008 of R7.7 million after incorporating investment income.

The decrease in surplus from operations compared to 2007 (R13.4 million) can be ascribed to various factors: a gradual decline in Society membership since the beginning of 2008, an increase in the average age of members, a higher pensioner to active member ratio, and an increase in the number of members with chronic conditions. The Society not only received less income from contributions, but there was also an increase in the amount claimed per member.

Service excellence

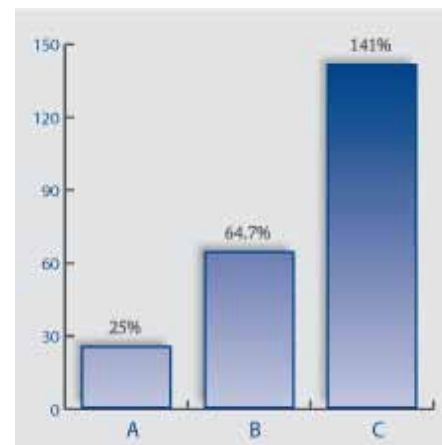
There is an ongoing drive to increase the number of claims submitted electronically and settled via electronic fund transfers to improve service delivery in terms of processing and payment of claims.

Considering the Society's contribution rates, the comprehensive benefits that members enjoy in a not-for-profit closed medical scheme

environment, and Management's commitment to service excellence while keeping administration fees at a minimum, the Board of Trustees is confident that members will continue to receive good value for money.

As a member of De Beers Benefit Society, you will continue to enjoy a wide range of superior medical benefits at market-related prices, backed up with outstanding personalised service.

The Society's 2008 solvency ratio in perspective



- A CMS solvency requirement
- B Average solvency ratio for restricted schemes (as per the Council for Medical Schemes (CMS) Annual Report 2007-08)
- C De Beers Benefit Society solvency ratio

↓ Membership	↑ Average age of members	↓ Beneficiaries	↑ Pensioner ratio	↑ Claims	↓ Solvency rate	↓ Operational surplus	↑ Investment returns
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The extracts from the Annual Financial Statements (AFS) for 2008 reflect the financial position of the Society and the Group as at 31 December 2008. The "Group" refers to the Society and its fully owned subsidiaries – the Benefit Society Dispensary (Proprietary) Limited and Hobbes & Associates Incorporated – which were sold to Lauren Lyn James (Proprietary) Limited effective 31 December 2008.

Meet the Trustees and Management



From left to right: Stephen Dietrich (*Chairman*), Bernard Bishop, Ken Quinn, Leon Coetzee (*Principal Officer*), Craig Coltman, Steven Beangstrom (*Manager*), Louis Looock, Roger Ketley (*Vice-Chairman*), Wayne Smerdon (*replaced John Moalusi, who resigned in December 2008*), Huck Endersby

Corporate governance

The Society and Board of Trustees remain committed to the highest levels of corporate governance as set out in the King Report on Corporate Governance. During 2008, governance structures were improved particularly in the area of risk management to ensure that risk mitigation is entrenched in the execution of day-to-day operations.

The Society has internal controls and systems in place to provide assurance regarding the integrity and reliability of the financial statements and to adequately maintain accountability for its assets. These controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

The Board of Trustees is also assisted by an Audit Committee in carrying out its duties relating to the Society's accounting policies, internal control systems and financial reporting practices.

There was no event to indicate any failure of the key internal controls and systems during 2008.

Audit committee

In accordance with the provisions of the Medical Schemes Act, an audit committee remained in place during 2008. The primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the Society's accounting policies, internal control systems and financial reporting practices. The external auditors formally report to the committee on critical findings arising from audit activities.

The audit committee consists of five members, two of whom are also members of the Board of Trustees. Audit committee members are however not officers of the Society. The committee met twice during the year. The Principal Officer, the Manager, the Financial Manager, the external auditors and the internal auditors attend all audit committee meetings and have unrestricted access to the Chairman of the committee.

Principal accounting policies

The Annual Financial Statements (AFS) have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, except for other financial assets at fair value through profit or loss, and trade and other receivables at fair value. The principal accounting policies have been consistently applied to all the years presented, unless otherwise stated. *(For full details about the principal accounting policies, please refer to Note 1, pp. 18-28 of the complete AFS.)*

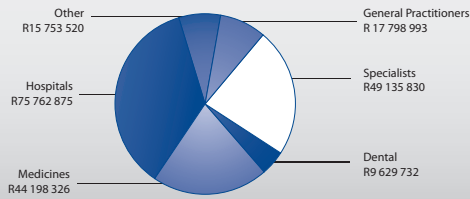
Please Note:

The De Beers Benefit Society is a not-for-profit closed medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended. The Society provides only one option.

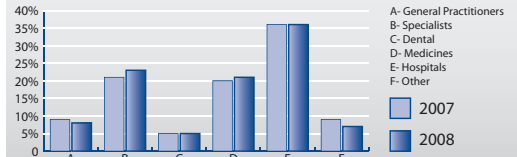


Key information at a glance

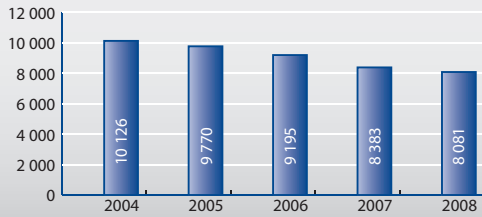
Benefits paid in 2008



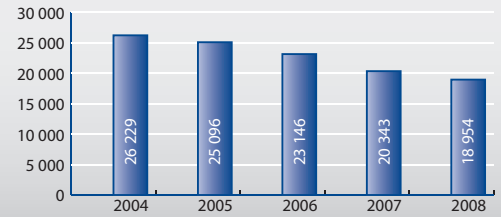
Comparison of benefits paid in 2007 & 2008



Membership



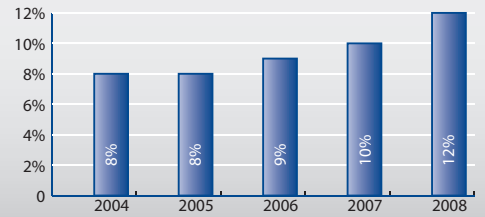
Beneficiaries



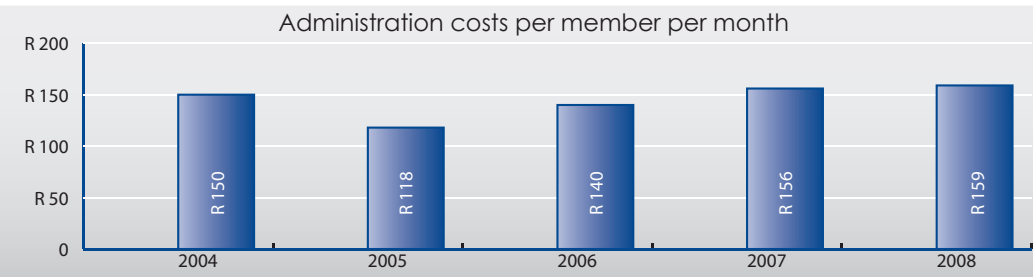
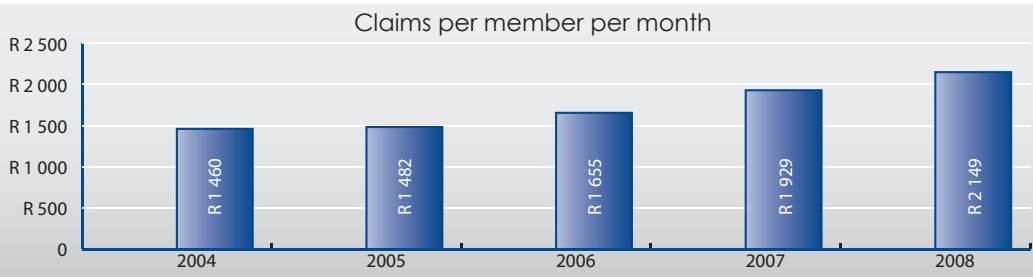
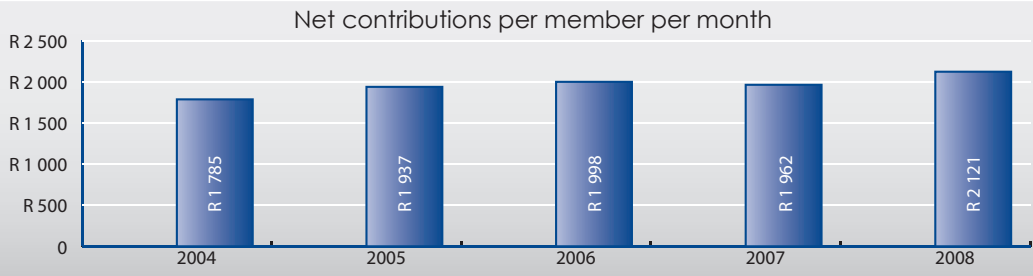
Average age of beneficiaries



Pensioner ratio (65 years of age and older)



Income vs. expenditure ratio per principal member per month



As the above graphs show, the administration cost has remained largely the same over the period from 2006 – 2008. However, for the first time since 2004, the average claims received per principal member per month in 2008 exceeded the contribution received, which has contributed to a lower operational surplus for the period under review.

Extracts from financial statements

Balance sheet at 31 December 2008

	Group		Society	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Assets				
Non-current assets	382	686	382	252
Property, plant and equipment	370	350	370	251
Intangible assets	12	-	12	-
Investments in subsidiaries	-	-	-	1
Deferred income tax assets	-	336	-	-
Current assets	339 434	337 894	339 434	335 530
Other financial assets at fair value through profit or loss	179 365	180 568	179 365	180 568
Inventories	-	3 475	-	-
Trade and other receivables	11 662	6 857	11 662	8 140
Cash and cash equivalents	148 407	146 994	148 407	146 822
Total assets	339 816	338 580	339 816	335 782
Funds and Liabilities				
Members' funds				
Accumulated funds	308 338	300 631	308 338	301 453
Long-term liabilities				
Post retirement liability	7 706	6 213	7 706	6 213
Current liabilities	23 772	31 736	23 772	28 116
Trade and other payable	10 779	16 806	10 779	13 186
Risk transfer arrangement	693	630	693	630
Outstanding claims provision	12 300	14 300	12 300	14 300
Total funds and liabilities	339 816	338 580	339 816	335 782

Outstanding claims provision

Outstanding claims refer to provisions for the Society's estimate of the ultimate cost of settling all claims incurred, but not yet reported, at the balance sheet date. They are determined as accurately as possible based on a number of factors, including previous experience in claims patterns and claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim. The movement for the year can be summarised as follows:

	2008 R'000	2007 R'000
Beginning of the year	14 300	13 400
Payments in respect of prior years	(14 423)	(12 360)
Over/(under)provision in respect of prior year	(123)	1 040
Adjustment for current year	12 423	13 260
End of the year	12 300	14 300

Risk transfer arrangement

The Society operated a risk transfer contract with ER24 for emergency ambulance services. The Society paid a fixed fee for this arrangement.

Events after balance sheet date

There were no events that occurred subsequently to the end of the accounting period that might affect the AFS and that the Trustees considered should be brought to your attention.

Related parties

De Beers Benefit Society is a restricted medical scheme where members are employees of the principal employer and associated employers. The principal employer nominates half the Board of Trustees, but does not participate in the Society's financial and operating decisions.

Members' and employers' proportionate share of contributions and co-payments are collected through the principal and associated employers' payroll systems. Contributions of R254 112 (2007: R119 822) were received and claims of R208 934 (2007: R504 998) were paid in respect of those Trustees who are also members of the Society. These claims were paid in accordance with the Rules of the Society. (*Payments made to Trustees are reflected under Note 25, pp. 44-46, of the full AFS.*)

The Board of Trustees does not receive any remuneration, except for retired member-elected Trustees who receive compensation for meetings attended. Key management personnel received remuneration of R1 384 853 (2007: R1 680 902).

Statement of changes in funds for the year ended 31 December 2008

	Group		Society	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Balance at beginning of the year	300 631	287 190	301 453	287 191
Net surplus for the year	7 707	13 441	6 885	14 262
Balance at end of the year	308 338	300 631	308 338	301 453

Income statement for the year ended 31 December 2008

	Group		Society	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Net contribution income	209 545	206 876	209 545	206 876
Relevant healthcare expenditure	(212 279)	(203 431)	(212 279)	(203 431)
Net claims incurred	(212 688)	(205 374)	(212 688)	(205 374)
Net expense on risk transfer arrangement	409	1 943	409	1 943
Risk transfer arrangement fees	(693)	(630)	(693)	(630)
Recoveries from risk transfer arrangement	1 102	2 573	1 102	2 573
Gross healthcare results	(2 734)	3 445	(2 734)	3 445
Managed care: Management services	(861)	(875)	(861)	(875)
Administration expenses	(13 250)	(15 070)	(13 250)	(15 070)
Post retirement medical expense	(1 493)	(512)	(1 493)	(512)
Net impairment losses on healthcare receivables	(151)	(47)	(151)	(47)
Net healthcare result	(18 489)	(13 059)	(18 489)	(13 059)
Other income				
Investment income	29 360	27 355	29 360	27 355
Income from use of own facilities by external parties	6 729	6 201	-	-
Sundry income	304	490	304	490
Other expenditure				
Asset management and monitoring fees	(2 062)	(524)	(2 062)	(524)
Cost incurred in provision of own facilities to external parties	(7 530)	(7 022)	-	-
Loss on disposal of investments in subsidiaries	(605)	-	(2 228)	-
Net surplus for the year	7 707	13 441	6 885	14 262



Actuarial services

The Society makes use of an actuary to assist it in assessing risks. The actuary used the same principles and assumptions in calculating the outstanding claims provision as in prior years.

The Society's actuary was also consulted during August 2008 in the determination of the contribution and benefits levels for the 2009 benefit year.



Non-compliance

During the course of the financial year, the Society had two incidents of contravention of Regulation 30, Annexure B, Category 4(b) of the Medical Schemes Act.

In terms of Annexure B, the Society is not allowed to hold shares in territories outside the Republic of South Africa. The Society took appropriate action to address the non-compliance issues.

Investment income

	Group and Society	
	2008	2007
	R'000	R'000
Other financial assets at fair value through profit or loss	23 612	1 807
Net realised gains	6 917	2
Net unrealised gains	10 856	1 754
Interest received	5 839	51
Cash and cash equivalents	5 748	25 548
Net realised gains	6	-
Net unrealised gains	80	-
Interest received	5 662	25 548
	29 360	27 355

Investment matters

The Society's investment objectives are to obtain the best possible returns on its investments in the long term with the least possible risk exposure, thereby ensuring growth while retaining value. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees.

The aim of the Society is to provide members with competitive medical benefits in exchange for regular contributions. To ensure that the level of benefit provided is reasonable, the Board of Trustees has decided to adopt an investment strategy that —

- Allows for a major part of the surplus assets/funds to be invested in portfolios that target a minimum return of 3% - 6% above inflation, after fees;
- Provides for the balance of assets to be invested in liquid cash portfolios to ensure that the regular cash flow demands of the Society can be met; and
- Minimises risks and administration costs to an acceptable level.

The investment policy is reviewed annually, taking into consideration compliance with the Act, the risk and returns of the various investment instruments and the surplus funds available.

The Society invested mainly in linked insurance policies and cash instruments in 2008. However, during the course of the year, the Board of Trustees recognised that the investment climate was changing and reviewed this approach. A decision was made to transfer the assets of one of the linked insurance policies to fixed interest and other money market instruments. *(Please refer to Note 6, p. 32, of the full AFS for more details.)*

The investment committee, mandated by the Board of Trustees, met four times during the year under review. The primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the investment policy of the Society. The committee consists of four members of the Board of Trustees who (including the Chairperson) are not officers of the Society.

Need more information?

The summarised financial statements are presented in considerably less detail than the annual audited financial statements, which are prepared in compliance with International Financial Standards and contain additional disclosures, such as insurance risk and financial risk management.

For a better understanding of the Society's financial position and the result of operations, the summarised financial statements should be read in conjunction with the audited financial statements.

If you would like a full set of financials, please do one of the following:

- Download the financial statements from the Society's website, at www.dbbs.co.za
- Contact the Society's communications department on 053 807 3363;
- Collect a copy from the Society's Head Office at Kimberley House, 84 Du Toitspan Road, Kimberley;
- Write to the Principal Officer at PO Box 1922, Kimberley, 8300, and request to have a copy mailed to you; or

Independent auditors' report on the summarised financial statements

We have audited the signed Annual Financial Statements and Group Annual Financial Statements of De Beers Benefit Society, which comprise the balance sheet and the consolidated balance sheet as at 31 December 2008, the income statement and the consolidated income statement, the statement of changes in funds and the consolidated statement of changes in funds, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, from which these financial statements were derived.

In our report dated 26 March 2009, we expressed an unqualified opinion on the signed annual financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the signed annual

financial statements from which they were derived.

For a better understanding of the Society's financial position and the results of operations for the year ended 31 December 2008, and the scope of our audit, the summarised financial statements should be read in conjunction with the signed annual financial statements from which the summarised financial statements were derived, as well as our report on these financial statements.

PricewaterhouseCoopers Inc.
Director: K Moodley

Registered Auditor
Cnr Welgevonden Avenue and
Memorial Road
Kimberley
26 March 2009

Notice of AGM

Notice is hereby given that the one hundred and twentieth Annual General Meeting of De Beers Benefit Society will be held at 36 Stockdale Street, Kimberley, on 21 May 2009 at 14h30, for the following business:

1. To approve the minutes of the 119th Annual General Meeting held on 21 May 2008;
2. To receive and consider the Annual Financial Statements of the Society and the Group, as well as the reports of the Board of Trustees and the auditors for the year ended 31 December 2008;
3. To consider the appointment of auditors for the year ending 31 December 2009 – the Board of Trustees, on the recommendation of the Society's Audit Committee, propose that PricewaterhouseCoopers Inc. be re-appointed as the Society's auditors for 2009;
4. In terms of Rule 18.18, to confirm that the honorarium of non-employee member-elected Trustees remains unchanged at R2,380 per meeting attended.

Proxy

In terms of the Rules of De Beers Benefit Society, principal members may appoint a proxy (any Society member of good standing) to represent them at the Annual General Meeting. If you wish to take this option, please contact the Society at 053 807 3111 to obtain an official proxy form or download it from the website at www.dbbs.co.za.

Please take note that in terms of Rule 26.1.5, notices of motion to be placed before the Annual General Meeting must reach the Principal Officer no later than seven days prior to the date of the meeting.

By order of the Board of Trustees.

L. COETZEE
Principal Officer

24 April 2009

Dispensaries sold; chronic medication outsourced

Until 31 December 2008, the Society had its own in-house dispensaries in Kimberley, Lime Acres and Cullinan. These dispensaries were managed by the Society's fully-owned subsidiaries, the Benefit Society Dispensary (Proprietary) Limited and Hobbes & Associates Incorporated, since 1958 and 1977 respectively.

The Board of Trustees agreed to the closure of the Kleinzee pharmacy on 31 August 2008 due to ongoing corporate actions by the principal employer and the subsequent operational losses incurred. Based on the results of a business model review of the remaining dispensaries, the Board of Trustees agreed to the sale of the shares of these subsidiaries to Lauren Lyn James (Proprietary) Limited, effective 31 December 2008.

The Society has entered into a three-year Designated Service Provider (DSP) agreement with Chronicare Medicines, effective 1 January 2009, for the provision of chronic medication.

Loss on disposal of investments in subsidiaries

	Group		Society	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Proceeds on disposal	2 322	-	2 322	-
Shares at cost	(1)	-	(1)	-
Loan accounts at cost	(4 549)	-	(4 549)	-
Benefit Society Dispensary (Proprietary) Limited	(2 152)	-	(2 152)	-
Hobbes & Associates Incorporated	(2 397)	-	(2 397)	-
	(2 228)	-	(2 228)	-
Retained loss since acquisition	1 623	-	-	-
	(605)	-	(2 228)	-

Surplus/(deficit) on own facilities

	Group	
	2008	2007
	R'000	R'000
Income from services rendered to third parties	6 729	6 201
Total costs incurred in operating own facilities	(7 530)	(7 022)
Changes in inventories	(36 953)	(34 656)
Administration expenses	(6 678)	(5 836)
Taxation	325	336
Profit on disposal of property, plant and equipment	52	-
Costs relating to members included in claims	35 724	33 134
	(801)	(821)

