
ANNUAL REPORT

DE BEERS BENEFIT SOCIETY

Registered in terms of the Medical Schemes Act
1998 as amended, under number 29/4/2/1068

31 DECEMBER 2007

DE BEERS BENEFIT SOCIETY

Registered in terms of the Medical Schemes Act
1998 as amended, under number 29/4/2/1068

ANNUAL REPORT 2007 GENERAL INFORMATION

Board of Trustees

TRUSTEES NOMINATED BY DE BEERS GROUP SERVICES (PROPRIETARY) LIMITED AND ASSOCIATED EMPLOYERS

Chairman	-	R M Crawford
Vice-Chairman	-	R W Ketley
Representatives	-	S E O Dietrich
	-	J Moalusi

TRUSTEES ELECTED BY MEMBERS OF THE SOCIETY

B R Bishop
W Endersby (appointed 25 April 2007)
L A Loock (appointed 25 September 2007)
K P Quinn (appointed 25 April 2007)
T G Baldwin (deceased 6 September 2007)
J H Britz (resigned 25 April 2007)
S D Martin (resigned 25 April 2007)

Principal Officer

L Coetzee
PO Box 2314
Kimberley
8300

Registered office address and postal address

Registered office address

Kimberley House
84 Du Toitspan Road
Kimberley
8301

Registered postal address

Kimberley House
PO Box 1922
Kimberley
8300

Medical scheme administrator during the year

Self - administered

ANNUAL REPORT 2007

GENERAL INFORMATION (continued)

Investment advisor

J Slawski
Alexander Forbes Financial Services
Financial service number: Licence no. 1177

Registered office:

61 Katherine Street	P O Box 787240
Sandton	Sandton
2146	2146

Investment managers

Allan Gray Limited (Reg. No. 1992/006778/06)

Granger Bay Court	
Beach Road	
V&A Waterfront	P O Box 51318
Cape Town	Cape Town
8001	8001

Investment Solutions (Reg. No. 1997/000595/06)

Investment Solutions Office Park	
63 Wierda Road East	PO Box 2196
Wierda Valley	Sandton
2196	2146

Actuaries

The Risk Monitor Group	
Ground Floor, Block J	
Central Park	
400-16 th Road	Private Bag X17
Midrand	Halfway House
1683	1685

Auditors

PricewaterhouseCoopers Inc	
1 D'Arcy Street	PO Box 32
Kimberley	Kimberley
8301	8300

Country of incorporation

The Society and subsidiaries are incorporated in the Republic of South Africa.

DE BEERS BENEFIT SOCIETY

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DE BEERS BENEFIT SOCIETY**NOTICE TO MEMBERS**

NOTICE IS HEREBY GIVEN THAT THE ONE HUNDRED AND NINETEETH ANNUAL GENERAL MEETING OF THE DE BEERS BENEFIT SOCIETY WILL BE HELD AT 36 STOCKDALE STREET, KIMBERLEY, ON 28 MAY 2008 AT 14H00.

1. To approve the minutes of the 118th Annual General Meeting held on 25 April 2007.
2. To receive and consider the Annual Financial Statements of the Society and the group, the report of the Board of Trustees and of the auditors for the year ended 31 December 2007.
3. To consider the appointment of auditors for the year ending 31 December 2008. The Board of Trustees, on the recommendation of the Society's Audit Committee, proposes that PricewaterhouseCoopers Inc. be re-appointed as the Society's auditors for 2008.
4. In terms of Rule 18.18, to approve the honorarium of pensioner member - elected Trustees at R2 380 per meeting attended.

PROXY

Should any principal member wish to be represented at the Annual General Meeting by proxy, they should contact the Society for an official proxy form.

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

19 March 2008

84 Du Toitspan Road
KIMBERLEY
8301

DE BEERS BENEFIT SOCIETY

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees has pleasure in submitting its one hundred and nineteenth annual report for the year ended 31 December 2007.

Description of the medical scheme

The Society is a non - profit closed medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended. The Society currently only provides one option.

Financial results for the year under review

The Society and group reflected a surplus from operations for the year of R14 076 047 (2006: R45 006 040) after incorporating investment income. The decrease in surplus from operations is due to the increase in claims, no increase in contributions, the increasing average age and pensioner ratio offset by an increase in investment income. The Society and group's funds have grown to R301 266 465 (2006: R287 190 418). The solvency ratio of the Society at end December 2007 was 145% (2006: 126%). This ratio can be expressed as 17.4 months cover (2006: 15.1 months cover), compared to the prescribed minimum cover of 3 months. The Board of Trustees is cognisant of the fact that the Society's contingency reserve (solvency ratio) is substantially higher than the minimum required by law. The contingency reserve is necessary due to the increasing average age of members. Of total benefits paid in 2007, Hospitals comprised 36% (2006: 33%), Medicines 20% (2006: 21%), Specialists 21% (2006: 22%), General Practitioners 9% (2006:11%), Dentists and Dental Specialists 5% (2006: 6%) and other benefit types 9% (2006: 7%).

Investment strategy

During the year under review the Board, with the support of the Actuary, decided to review the policy of investing only in short term fixed deposits. With a view to surplus funds being invested more appropriately, the Trustees established an investment committee with specific Terms of Reference, and an investment advisor was appointed. The advisor's primary mandate is to ensure that investments are made in accordance with prevailing legislation and to ensure value retention while still ensuring growth. Accordingly the Board of Trustees has changed its investment strategy from passive management to active management through investing in linked insurance policies which comply with prevailing legislative requirements.

The objective 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 Trustees have decided to adopt a strategy that ensures that:

- A major part of the surplus assets/funds is invested in portfolios that target a minimum real return of 5% above CPI , after fees;
- The balance of assets is invested in liquid cash portfolios to be able to meet the regular cash flow demands of the Society; and
- Risks and administration costs are minimised to an acceptable level.

Investment committee

The investment committee met three times during 2007. The mandate of the committee is to ensure that:

- The Society remains liquid;
- Investments are placed at minimum risk and best possible rate of return;
- Investments are in compliance with the regulations of the Medical Schemes Act 131 of 1998 ; and
- A formal risk assessment is performed with feedback to the Board of Trustees with recommendations regarding the mitigation of the risks identified.

Corporate governance

The Society continues to be committed to the highest levels of corporate governance. The Board maintains a firm focus on upholding the highest standards of corporate governance as well as proactively monitoring risks and challenges. During the period under review, the Society improved governance structures, particularly within the risk management functions to ensure that risk mitigation is embedded in the performance of every day operations. The Society encourages employees to be mindful of managing risk by making it a key performance area and to report any instances of suspected fraud or money laundering.

DE BEERS BENEFIT SOCIETY**REPORT OF THE BOARD OF TRUSTEES (continued)****External service providers**

The Board monitors and manages the performance of all external service providers on an ongoing basis.

Claims and contributions

The Society is confident of its ability to pay claims. To confirm this, the Society has maintained a high solvency ratio. The Board is of the opinion that this is a prudent measure to help ensure the medium to long term financial stability and viability of the Society in a rapidly changing South African healthcare environment and the increasing age profile of the membership. The Trustees are confident that the members receive value for money considering the administration costs, benefits and contribution rates of the Society. To improve the service delivery in terms of processing and payment of claims, there is an ongoing drive to increase the number of electronically submitted claims. The percentage of electronic claims compared with manual claims has increased from 80% in 2006 to 83% in 2007.

Auditors

In terms of Rule 25.1, the members appointed PricewaterhouseCoopers Incorporated as the Society's auditors for 2007.

Risk transfer arrangement

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

Management of insurance risk

The primary insurance activity carried out by the Society assumes the risk of loss from members and their dependants that are directly subject to risk. The risk relates to the health of the Society members. As such the Society is exposed to the uncertainty surrounding the timing and severity of claims under contract.

The Society manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisations and case management, centralised management of risk transfer arrangements, and monitoring of emerging issues.

The Society uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, and scenario analyses. The principal risk is that the frequency and severity of claims is greater than expected.

Insurance events are, by their nature, random and the actual number and size of events during any one year may vary from those estimated with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the financial statements and there are no terms and conditions of insurance contracts that have a material effect on the timing and uncertainty of the Society's cash flows.

Principal employer

On 22 November 2007, the principal employer announced that it had signed an agreement with Petra Diamonds Cullinan Consortium to sell the Cullinan Diamond mine as a going concern. The principal employer will continue to own and manage Cullinan Diamond mine until such time as the conditions precedent to the sale have been finalised. It is expected that the process will be concluded towards the middle of 2008.

During the year, the principal employer and the Department: Minerals and Energy (DME) announced an agreement aimed at consolidating the West Coast operations of Alexkor and Namaqualand mines into a new, stand-alone diamond mining company.

Post balance sheet event

The Society initiated two legal claims for R42 542 and R50 000 respectively against two service providers. The two claims with a probability of success and estimated legal cost of R12 000 are pending. No other events have occurred subsequent to the end of the accounting period affecting the annual financial statements that the Trustees consider should be brought to your attention.

DE BEERS BENEFIT SOCIETY**REPORT OF THE BOARD OF TRUSTEES (continued)****Operational statistics**

The Society has only one benefit option.

	2007		2006	
	Members	Beneficiaries	Members	Beneficiaries
Membership				
Membership at 1 January	9 195	23 146	9 770	25 093
New members	652	1 127	417	1 009
Members exited	(1 464)	(3 930)	(992)	(2 956)
Membership at 31 December	8 383	20 343	9 195	23 146
Average number of members/beneficiaries for the accounting period	8 789	21 745	9 483	24 120
Average age of members/beneficiaries for the accounting period	50	36	48	34
Dependant ratio to members at 31 December	1:1.43		1:1.52	
Pensioner ratio at 31 December		19%		17%
Average per member/beneficiary per month	R	R	R	R
Income				
Net contribution income	1 962	793	1 998	786
Expenses				
Total benefits paid and accrued	1 929	780	1 655	651
Managed care – management services	6	3	5	2
Administration expenses	143	57	128	49
Post retirement medical expenses	5	2	7	3
Total expenditure	2083	842	1 795	705
Net healthcare result	(121)	(49)	203	81
Investment income	260	104	193	76
Other income	1	1	-	-
Asset management fees and monitoring	(5)	(2)	-	-
Excess of income over expenditure	135	54	396	157
Average accumulated funds per member at 31 December	R35 938		R31 233	
Claims as a % of contributions	99%		83%	
Non health expenses as % of contributions	7%		6%	
Chronic profile per member	21%		19%	
Solvency ratio	R		R	
Accumulated funds per Regulation 29	301 266 465		287 190 418	
Less unrealised profits/losses	1 753 817		-	
	299 512 648		287 190 418	
Gross contributions	206 875 766		227 354 250	
Solvency ratio	145%		126%	
Return on investments as a percentage of investments	11%		8%	

DE BEERS BENEFIT SOCIETY**REPORT OF THE BOARD OF TRUSTEES (continued)****Actuary**

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

Outstanding claims

The basis of calculation of the outstanding claims provision is discussed in note 13 to the annual financial statements and this is consistent with the prior year. Details of the movement on the outstanding claims provision are set out in note 15 to the annual financial statements. There has been no unusual movement that the Trustees believe should be brought to the attention of the Society's members.

Audit committee

An audit committee remained in place in accordance with the provisions of the Act. The committee is mandated by the Board of Trustees by means of written Terms of Reference as to its membership, authority and duties. The committee consists of five members of whom two are members of the Board of Trustees. The members are not officers of the Society. The audit committee met twice during the year. A third meeting was not held, as required by the King Report, as no need existed.

In accordance with the provisions of the Act, 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 Principal Officer, the Assistant Manager, the Society's Accountant, the external auditors and the internal auditors attend all audit committee meetings and have unrestricted access to the chairman of the committee.

The committee presently comprises:

R W Ketley (Chairman)	Trustee
M K Changfoot	Member
J E de Kock	Member
I N Scheepers	Member
W Endersby (appointed 5 December 2007)	Trustee

Mr W Endersby was appointed at the December Trustee meeting as a replacement for Mr T G Baldwin who passed away on 6 September 2007.

Meeting Attendance

Board Meetings	March	June	September	December
R M Crawford	Yes	Yes	Yes	Yes
R W Ketley	Yes	Yes	Yes	Yes
S E O Dietrich	Apology	Yes	Yes	Apology
T G Baldwin	Yes	Yes	N/a	N/a
L A Loock	N/a	N/a	Yes	Yes
K P Quinn	N/a	Yes	Yes	Yes
W Endersby	N/a	Yes	Yes	Yes
B R Bishop	Yes	Yes	Yes	Yes
J H Britz	Yes	N/a	N/a	N/a
S D Martin	Apology	N/a	N/a	N/a
J Moalusi	Apology	Yes	Yes	Apology
Investment Committee		June	August	December
R M Crawford		Yes	Yes	Yes
R W Ketley		Yes	Yes	Yes
SEO Dietrich		Yes	Yes	Yes
W Endersby		Yes	Yes	Yes
Audit committee	March			December
R W Ketley	Yes			Yes
T G Baldwin	Yes			N/a
M K Changfoot	Yes			Yes
I N Scheepers	Yes			Yes
J E de Kock	Yes			Yes

DE BEERS BENEFIT SOCIETY**STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2007**

The Trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements of De Beers Benefit Society and the group. The financial statements presented on pages 12 to 41 have been prepared in accordance with International Financial Reporting Standards (IFRS) and include amounts based on judgements and estimates made by management.

The Trustees consider that in preparing the annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees are satisfied that the information contained in the annual financial statements fairly presents the results of operations for the year and the financial position of the Society and the group at year-end. The Trustees also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the annual financial statements.

The Trustees are responsible for ensuring that accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Society and the group which enables the Trustees to ensure that the annual financial statements comply with the relevant legislation.

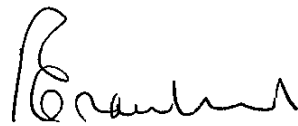
De Beers Benefit Society operates in an established controlled environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute assurance that assets are safeguarded and the risks facing the business are being controlled.

The going concern basis has been adopted in preparing the annual financial statements. The Trustees have no reason to believe that the Society and the group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the Society and the group.

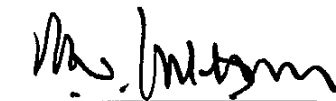
The current composition of the Board of Trustees of the Society is featured on page 1. The Society has adopted a board structure of four Trustees nominated by the employer and associated companies and four Trustees elected by the members.

The Society's external auditors are responsible for auditing the financial statements in terms of International Standards on Auditing and their report is presented on page 11.

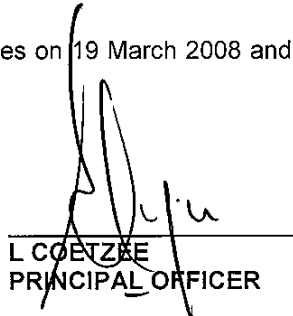
The financial statements were approved by the Board of Trustees on 19 March 2008 and are signed on its behalf by:



R M CRAWFORD
CHAIRMAN



R W KETLEY
TRUSTEE



L COETZEE
PRINCIPAL OFFICER

19 March 2008

DE BEERS BENEFIT SOCIETY**STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES**

The De Beers Benefit Society is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. De Beers Benefit Society and its wholly owned subsidiaries are committed to striving for the highest levels of corporate governance. The Society reviews and reassesses its corporate governance practices on an ongoing basis and maintains a strong drive to identify and implement best practice.

Board of Trustees

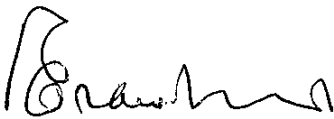
The Trustees meet regularly and monitor the performance of the Society. They address a range of key issues and ensure that discussion of policy, strategy and performance is critical, informed and constructive.

All Trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Society.

Internal Controls

The Society maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

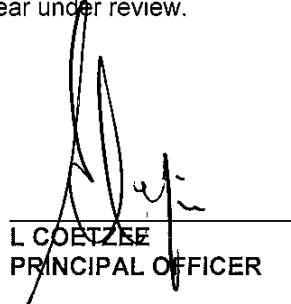
No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



R M CRAWFORD
CHAIRMAN



R W KETLEY
TRUSTEE



L COETZEE
PRINCIPAL OFFICER

19 March 2008

DE BEERS BENEFIT SOCIETY**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF DE BEERS BENEFIT SOCIETY**

We have audited the 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 2007, the income statement and the consolidated income statement, the statement of recognised of changes in income and expenses 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, as set out on pages 12 to 41.

Trustees' Responsibility for the Financial Statements

The Society's Trustees are 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 Medical Schemes Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 the Trustees, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Society and of the group as of 31 December 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act of South Africa.

PricewaterhouseCoopers Inc.
PricewaterhouseCoopers Inc.
Director: K Moodley
Registered Auditor
1 D'Arcy Street
Kimberley

21 April 2008

DE BEERS BENEFIT SOCIETY**BALANCE SHEETS****AT 31 DECEMBER 2007**

	<u>Notes</u>	<u>Group</u>		<u>Society</u>	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
		<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
ASSETS					
Non-current assets		440 946	385 954	251 941	292 822
Property, plant and equipment	2	350 173	376 598	251 729	284 933
Intangible assets	3	14	9 356	9	7 686
Investments in subsidiaries	4	-	-	203	203
Deferred income tax assets	5	90 759	-	-	-
Current assets		337 126 602	337 274 592	335 529 914	334 660 358
Other financial assets at fair value through profit or loss	6	180 567 685	-	180 567 685	-
Inventories	7	3 475 362	3 458 432	-	-
Trade and other receivables	8	6 089 079	7 213 164	8 139 782	7 982 240
Cash and cash equivalents	9	146 994 476	326 602 996	146 822 447	326 678 118
Total assets		337 567 548	337 660 546	335 781 855	334 953 180
FUNDS AND LIABILITIES					
Members' funds		301 266 465	287 190 418	301 452 682	287 190 418
Accumulated funds		301 266 465	287 190 418	301 452 682	287 190 418
Long term liabilities		6 213 512	5 701 500	6 213 512	5 701 500
Post retirement liability	10	6 213 512	5 701 500	6 213 512	5 701 500
Current liabilities		30 087 571	44 768 628	28 115 661	42 061 262
Trade and other payables	11	15 157 486	30 783 862	13 185 576	28 076 496
Risk transfer arrangement	12	630 085	584 766	630 085	584 766
Outstanding claims provision	13	14 300 000	13 400 000	14 300 000	13 400 000
Total funds and liabilities		337 567 548	337 660 546	335 781 855	334 953 180

DE BEERS BENEFIT SOCIETY**INCOME STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007**

	<u>Notes</u>	<u>Group</u>		<u>Society</u>	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
		<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Cross contribution income	14	206 875 766	227 354 250	206 875 766	227 354 250
Relevant healthcare expenditure		(203 431 094)	(188 371 744)	(203 431 094)	(188 371 744)
Net claims incurred	15	(205 373 801)	(189 328 756)	(205 373 801)	(189 328 756)
Net expense on risk transfer arrangement		1 942 707	957 012	1 942 707	957 012
Risk transfer arrangement fees		(630 085)	(584 766)	(630 085)	(584 766)
Recoveries from risk transfer arrangement		2 572 792	1 541 778	2 572 792	1 541 778
Managed care: management services	16	(679 077)	(541 777)	(679 077)	(541 777)
Administration expenses	17	(14 947 744)	(14 604 292)	(14 947 744)	(14 604 292)
Post retirement medical expense	10	(512 012)	(802 000)	(512 012)	(802 000)
Net impairment losses on healthcare receivables	18	(47 125)	(45 784)	(47 125)	(45 784)
Net healthcare result		(12 741 286)	22 988 653	(12 741 286)	22 988 653
Investment income	19	27 354 871	22 017 387	27 354 871	22 017 387
Income from use of own facilities by external parties	20	6 488 972	6 607 357	-	-
Sundry income	21	172 672	-	172 672	-
Other expenditure					
Asset management and monitoring Fees		(523 993)	-	(523 993)	-
Cost incurred in provision of own facilities to external parties	20	(6 675 189)	(6 607 357)	-	-
Net surplus for the year		14 076 047	45 006 040	14 262 264	45 006 040

DE BEERS BENEFIT SOCIETYSTATEMENT OF RECOGNISED INCOME AND EXPENSEFOR THE YEAR ENDED 31 DECEMBER 2007

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Balance at beginning of the year	287 190 418	242 184 378	287 190 418	242 184 378
Net surplus for the year	<u>14 076 047</u>	<u>45 006 040</u>	<u>14 262 264</u>	<u>45 006 040</u>
Balance at end of the year	<u>301 266 465</u>	<u>287 190 418</u>	<u>301 452 682</u>	<u>287 190 418</u>

DE BEERS BENEFIT SOCIETY**CASH FLOW STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007**

	<u>Notes</u>	<u>Group</u>		<u>Society</u>	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
		<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
CASH FLOW FROM OPERATING ACTIVITIES					
Cash flow from operations before working capital changes	22	(12 555 317)	24 513 694	(12 347 022)	24 469 176
Working capital changes					
Decrease/(Increase) in inventories		(16 930)	(125 239)	-	-
Decrease/(Increase) in trade and other receivables		1 076 960	(2 504 637)	(204 667)	(1 817 622)
(Decrease)/Increase in trade and other payables		(15 581 057)	5 946 953	(14 845 601)	5 137 172
Increase /(Decrease) in outstanding claims provision		900 000	(2 600 000)	900 000	(2 600 000)
		(26 176 344)	25 230 771	(26 497 290)	25 188 726
Interest received		25 548 193	22 017 387	25 548 193	22 017 387
Taxation paid		-	-	-	-
Net cash from operating activities		(628 151)	47 248 158	(949 097)	47 206 113
Cash flow to investing activities					
Increase in other investment assets at fair value through profit or loss		(178 761 007)	-	(178 761 007)	-
Purchase of property, plant and equipment		(219 362)	(198 936)	(145 567)	(123 783)
Net cash to investing activities		(178 980 369)	(198 936)	(178 906 574)	(123 783)
Net decrease in cash and cash equivalents		(179 608 520)	47 049 222	(179 855 671)	47 082 330
Cash and cash equivalents at beginning of the year		326 602 996	279 553 774	326 678 118	279 595 788
Cash and cash equivalents at the end of the year	0	146 994 476	326 602 996	146 822 447	326 678 118

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2007****1 PRINCIPAL ACCOUNTING POLICIES**

The following are the principal accounting policies used by the Society and the group, which are consistent with those of the previous year, unless otherwise stated.

1.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) on the historical cost basis, except for:

- Other financial assets at fair value through profit or loss
- Trade and other receivables at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 28.

1.2 Standards, amendment and interpretations effective in 2007

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 for the first time and are relevant to the group's operations:

Amendment to International Accounting Standard (IAS) 1, Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages its capital. (Effective 1 Jan 2007).

IFRS 7 and consequential amendments to IFRS 4 Implementation guidance, Financial Instruments: Disclosures IFRS 7 introduces new requirements to improve the information on financial instruments that is given in entities' financial statements. It requires disclosures about the significance of financial instruments for an entity's financial position and performance. These disclosures incorporate many of the requirements previously in IAS 32. The IFRS also requires information about the extent to which the entity is exposed to risks arising from financial instruments, and a description of management's objectives, policies and processes for managing those risks. (Effective 1 Jan 2007).

1.3 Standards, amendments and interpretations effective in 2007 but not relevant.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the group's operations:

IFRIC 7, Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies, IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its function currency, when the economy was not hyperinflationary in the prior period, and how deferred tax items in the opening balance sheet should be restated. (Effective 1 March 2007)

IFRIC 8, Scope of IFRS 2, IFRIC 8 clarifies that IFRS 2 applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. The interpretation explains that, if the identifiable consideration given appears to be less than the fair value of the equity instruments granted in order to established whether or not they fall within the scope of IFRS 2 (Effective 1 March 2007).

IFRIC 9, Reassessment of Embedded derivatives, IFRIC 9 considers whether the treatment of an embedded derivative has to be reassessed subsequently if certain events occur. The interpretation concludes that subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. (Effective 1 Jun 2006)

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2007****1 PRINCIPAL ACCOUNTING POLICIES (continued)****1.3 Standards, amendments and interpretations effective in 2007 but not relevant (continued).**

IFRIC 10, Interim Financial Reporting and Impairment, IFRIC 10 prohibits the reversal of the impairment losses recognised in an interim period on goodwill and investments in equity instruments and financial assets carried at cost, at a subsequent balance sheet date. (Effective 1 Nov 2006)

1.4 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group.

Interpretations of International Financial Reporting Standards and amendments issued but not effective for the year ended December 2007.

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions, addresses how to apply IFRS 2 to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent) (Effective 1 March 2007).

IFRIC 14; IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction, provides general guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. (Effective 1 Jan 2008)

International Financial Reporting Standards and amendments issued but not effective for the year ended December 2007.

IAS 23; Borrowing Costs – Revised. The main change from the previous version of IAS 23 is the removal of the option of immediately recognising as an expense, borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale (Effective 1 Jan 2009).

IAS 1; Presentation of financial statements. The objective of this Standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities (Effective 1 Jan 2009).

1.5 Interpretations to existing standards that are not yet effective and not relevant for the group's operations:

The following interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the group's operations:

IFRIC 12; Service Concession Arrangements, addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession arrangements. (Effective 1 Jan 2009).

IFRIC 13; Customer Loyalty Programmes, addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits. (Effective 1 Jan 2009).

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2007****1 PRINCIPAL ACCOUNTING POLICIES (continued)****1.5 Interpretations to existing standards that are not yet effective and not relevant for the group's operations (continued):**

IFRS 8; Operating Segments, requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. The Standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. (Effective 1 Jan 2009).

1.6 Group accounting*Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. The acquisition of subsidiaries are recorded in terms of IAS27 at cost price. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the assets transferred, accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

1.7 Property, plant, equipment

Property, plant and equipment are reflected at historical cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets after taking into consideration amortisation of the assets' residual value. The estimated maximum useful lives are:

<i>Property, plant, equipment</i>	
Computer equipment	2 – 5 years
Office equipment	3 – 8 years
Furniture and fittings	10 – 15 years

The useful lives and residual values of assets are assessed annually. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. All other maintenance and repair costs are recognised in the income statement during the financial period in which they are incurred. Directly attributable costs associated with the acquisition, development and installation are capitalised. Such assets are amortised using the straight-line method. Surpluses (sale price exceeds the book value) and deficits (the book value exceeds the sale price) on the disposal of property, plant and equipment are recognised in the income statement. Carrying amounts of all assets are reduced to their recoverable amount, where this is lower than the carrying amount. In determining the recoverable amount of property, plant and equipment, the expected future cash flows attributable to such assets are considered.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2007****1 PRINCIPAL ACCOUNTING POLICIES (continued)****1.8 Intangible assets****Computer software**

Intangible assets are reflected at historical cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets after taking into consideration the assets' residual value. The estimated maximum useful lives of intangible assets are two to five years.

The useful lives and residual values of assets are assessed annually. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. All other maintenance and repair costs are recognised in the income statement during the financial period in which they are incurred. Directly attributable costs associated with the acquisition, development and installation of software are capitalised. Such assets are amortised using the straight-line method. Surpluses (sale price exceeds the book value) and deficits (the book value exceeds the sale price) on the disposal of assets are recognised in the income statement.

Carrying amounts of all items of intangible assets are reduced to their recoverable amount, where this is lower than the carrying amount. In determining the recoverable amount of intangible assets, the expected future cash flows attributable to such assets are considered. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and appropriate portion of relevant overheads.

1.9 Inventories

Inventories comprise medicines and pharmaceutical supplies utilised by the subsidiaries. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula. Inventories are measured at the lower of cost and net realisable (current value less incurred to sell) value.

1.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.11 Financial instruments

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2007****1 PRINCIPAL ACCOUNTING POLICIES (continued)****1.11 Financial instruments (continued)**

- (a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.
- (b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.
- (c) Available for sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available for sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available for sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 1.12.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2007****1 PRINCIPAL ACCOUNTING POLICIES (continued)****1.12 Trade and other receivables**

Trade and other receivables originated by the Society are measured on initial recognition at fair value, and are subsequently measured at amortised cost with the effective interest method; less provision for impairment which is established when there is objective evidence that the Society will not be able to collect all amounts due according to their original terms. The allowance is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flow as discounted at the effective interest compounded at initial recognition. Receivables arising from insurance contracts are also classified in the category and are reviewed for impairment as part of the impairment review of trade and other receivables

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks at fair value.

1.14 Managed care

These expenses represent the cost of managing health care expenditure and the amounts paid or payable to the third party or related parties for managing the utilisation, costs and quality of healthcare services to the Society.

1.15 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.16 Provisions

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Outstanding claims provision

Claims outstanding comprise provisions for the Society's estimate of the ultimate cost of settling all claims incurred but not yet reported at the balance sheet date. Claims outstanding are determined as accurately as possible based on a number of factors, which include previous experience in claims patterns, 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. Estimated co – payments are deducted in calculating the outstanding claims provision. The Society does not discount its provision for outstanding claims, since the effect of the time value of money is not considered material.

1.17 Insurance contracts

Contracts under which the Society accepts significant insurance risk from another party by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary are classified as insurance contracts. The contracts issued compensate the Society's members for healthcare expenses incurred.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2007****1 PRINCIPAL ACCOUNTING POLICIES (continued)****1.18 Risk transfer arrangements**

Risk transfer arrangement fees are recognised as an expense over the indemnity period on a straight-line basis. Risk transfer premiums/fees and benefits reimbursed are presented in the income statement and balance sheet on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim.

1.19 Contribution income

Gross contributions are received monthly. The earned portion of contributions received is recognised as revenue. Contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis.

1.20 Relevant healthcare expenditure

Relevant healthcare expenditure consists of net claims incurred and net income or expense from risk transfer arrangements.

Claims incurred

Gross claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Society is responsible, whether or not reported by the end of the year.

Net claims incurred comprise:

- claims submitted and accrued for services rendered during the year, net of recoveries from members for co-payments;
- claims for services rendered during the previous year not included in the outstanding claims provision for that year, net of recoveries from members for co-payments;
- services rendered to members from the Society's own facilities,
- claims settled in terms of risk transfer arrangements; and
- movement in outstanding claim provision.

Claims incurred relating to risk transfer arrangements are calculated by applying the National Health Reference Price List (NHRPL) tariffs to the different categories of services provided by the arrangement. Anticipated recoveries under risk transfer arrangements are disclosed separately as assets and are assessed in a similar manner to the assessment of the outstanding claims provision and claims reported not yet paid.

1.21 Related parties relationship*Subsidiaries*

The consolidated financial statements include the financial statements of the wholly owned subsidiaries Benefit Society Dispensary (Pty) Ltd and Hobbes & Associates Incorporated. There was no change in shareholding during the year.

The revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business - primarily to the Society's members and sales related taxes.

Key management personnel

The Board of Trustees does not receive any remuneration, except for pensioner member - elected Trustee meeting attendance fee. The functions of Principal Officer and manager are performed by the same person who is supported by the Accountant and Assistant Manager.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2007****1 PRINCIPAL ACCOUNTING POLICIES (continued)****1.22 Investment income**

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Society reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

1.23 Employee benefits*Post retirement benefits*

The Society provides a defined contribution pension fund for its employees. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as the employee benefit expense when they are due. A number of employees of the Society are entitled to post retirement healthcare benefits. The entitlement to these retirement healthcare benefits is based on the employee remaining in service up to official retirement age. The expected cost of these benefits are accrued over the estimated average remaining service lives of active employees. A qualified actuary, on an annual basis, carries out valuations of the obligations, using the projected unit credit method. The total expense (current service cost, interest cost and actuarial gains and losses) is charged to the income statement.

1.24 Liability adequacy test

At balance sheet date, liability adequacy tests are performed to ensure adequacy of member insurance liabilities. The liability for insurance contracts is tested for adequacy by discounting current best estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability of any related assets. Where a shortfall is identified, an additional provision is made and the Society recognises the deficiency in income for the year.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2007 (continued)****2. PROPERTY, PLANT AND EQUIPMENT****GROUP**

	<u>Furniture, fittings and equipment</u>	<u>Vehicles</u>	<u>Computer equipment</u>	<u>Total</u>
2007	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Cost	179 207	14 828	2 644 526	2 838 561
Opening balance	116 022	14 828	2 488 349	2 619 199
Additions	63 185	-	156 177	219 362
Accumulated depreciation	51 059	14 827	2 422 502	2 488 388
Opening balance	32 553	13 828	2 196 220	2 242 601
Depreciation for the year	18 506	999	226 282	245 787
CARRYING BOOK VALUE	128 148	1	222 024	350 173
2006				
Cost	116 022	14 828	2 488 349	2 619 199
Opening balance	114 286	14 828	2 401 471	2 530 585
Transfer of assets	(23 987)	-	23 987	-
Impairment charge/Write - off	(10 343)	-	(99 979)	(110 322)
Additions	36 066	-	162 870	198 936
Accumulated depreciation	32 553	13 828	2 196 220	2 242 601
Opening balance	31 679	14 827	1 961 188	2 007 694
Transfer of assets	(2 000)	-	2 000	-
Impairment charge/Write - off	(6 204)	(999)	(102 559)	(109 762)
Depreciation for the year	9 078	-	335 591	344 669
CARRYING BOOK VALUE	83 469	1 000	292 129	376 598

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)**
2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)
SOCIETY

	<u>Furniture, fittings and equipment</u> R	<u>Computer equipment</u> R	<u>Total</u> R
2007			
Cost	156 828	2 317 119	2 473 947
Opening balance	113 784	2 214 596	2 328 380
Additions	43 044	102 523	145 567
Accumulated depreciation	46 287	2 175 931	2 222 218
Opening balance	32 553	2 010 894	2 043 447
Depreciation for the year	13 734	165 037	178 771
CARRYING BOOK VALUE	110 541	141 188	251 729
2006			
Cost	113 784	2 214 596	2 328 380
Opening balance	90 299	2 224 620	2 314 919
Write – offs	(10 343)	(99 979)	(110 322)
Additions	33 828	89 955	123 783
Accumulated depreciation	32 553	2 010 894	2 043 447
Opening balance	29 679	1 821 714	1 851 393
Write – offs	(6 204)	(99 969)	(106 173)
Depreciation for the year	9 078	289 149	298 227
CARRYING BOOK VALUE	81 231	203 702	284 933

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

	<u>Group</u>		<u>Society</u>	
	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
3. INTANGIBLE ASSETS SUBSIDIARIES				
Cost	1 656 873	1 656 873	1 651 873	1 651 873
Opening balance	1 656 873	1 656 873	1 651 873	1 651 873
Additions	-	-	-	-
Accumulated depreciation	1 656 859	1 647 517	1 651 864	1 644 187
Opening balance	1 647 517	1 315 489	1 644 187	1 313 824
Depreciation for the year	9 342	332 028	7 677	330 363
CARRYING BOOK VALUE	<u>14</u>	<u>9 356</u>	<u>9</u>	<u>7 686</u>
4. INVESTMENTS IN SUBSIDIARIES				
Investments in wholly owned subsidiaries				
Unlisted				
Hobbes & Associates Inc. 3 ordinary shares of R1 each at cost	-	-	3	3
Benefit Society Dispensary (Proprietary) Limited 100 ordinary shares of R2 each at cost	-	-	200	200
	<u>-</u>	<u>-</u>	<u>203</u>	<u>203</u>

Benefit Society Dispensary (Pty) Ltd is wholly (100%) owned by the Society and is situated and operates in Kimberley.

Hobbes & Associates Inc is wholly (100%) owned by the Society and is situated in Kimberley and operates dispensaries in Lime Acres, Cullinan and Kleinzee.

The Society elected to record the investment in subsidiaries in cost price in terms of IAS27.

DEBEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)**

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
5. DEFERRED INCOME TAX ASSETS				
Beginning of the year	-	-	-	-
Provision for bonuses	42 347	-	-	-
Assessed loss	48 412	-	-	-
End of the year	<u>90 759</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount credited to own facilities in the income statement				
Deferred tax	90 759	-	-	-
Current tax	(14 698)	-	-	-
Income statement charged	<u>76 061</u>	<u>-</u>	<u>-</u>	<u>-</u>

6. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Linked insurance policies are classified as held at fair value through profit or loss. The fair value of insurance policies are valued at the unit value in which the contractual benefits are denominated multiplied by the number of units at the statement of net assets and funds date.

Balance at beginning of the year	-	-	-	-
Invested	179 000 000	-	179 000 000	-
Realised gain	2 108	-	2 108	-
Unrealised gain	1 753 817	-	1 753 817	-
Interest received	50 753	-	50 753	-
Withdrawal	(238 993)	-	(238 993)	-
	<u>180 567 685</u>	<u>-</u>	<u>180 567 685</u>	<u>-</u>

The maximum exposure to credit risk at the reporting date is the fair value. The credit quality of the financial assets are neither past due nor impaired. The counterparties are new customers (less than 6 months) without external credit rating.

7. INVENTORIES

Inventory consists of:

Medication and pharmaceuticals of subsidiaries

3 475 362

3 458 432

None of the inventory is either past due nor impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

	<u>Group</u>		<u>Society</u>	
	<u>2007</u> R	<u>2006</u> R	<u>2007</u> R	<u>2006</u> R
8. TRADE AND OTHER RECEIVABLES				
Recoveries from members for co-payments	2 938 218	2 561 703	2 938 218	2 561 703
Other receivables	3 113 130	4 569 122	1 310 639	3 162 498
Net impairment losses on healthcare receivables	6 051 348 (91 128)	7 130 825 (45 784)	4 248 857 (91 128)	5 724 201 (45 784)
	5 960 220	7 085 041	4 157 729	5 678 417
Prepayments	113 832	116 488	113 832	116 488
Staff loans	15 027	11 635	15 027	11 635
Loans to related parties	-	-	3 853 194	2 175 700
Benefit Society Dispensary (Proprietary) Limited	-	-	1 543 235	946 550
Hobbes and Associates Incorporated	-	-	2 309 959	1 229 150
	6 089 079	7 213 164	8 139 782	7 982 240
Movements on the group provision for impairment of trade are as follows				-
At 1 January	44 003	-	44 003	-
Provision for receivables	48 586	44 003	48 586	44 003
Recovered amount reversed	(1 461)	-	(1 461)	-
At 31 December	91 128	44 003	91 128	44 003

At 31 December 2007 the carrying amounts of accounts receivable approximate their fair values due to the short-term maturities of these assets. These assets are rendered interest free. The maximum exposure to credit risk at the reporting date is the carrying value of each class receivables mentioned above. The group does not hold any collateral as security.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2007, trade receivables older than three months were past due but not impaired, except for trade receivables provided for.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)****9. CASH AND CASH EQUIVALENTS****Short-term bank deposits**

The short-term bank deposits comprise fixed deposits held at the AAA rating banks in South Africa. These deposits have a maturity date of less than one year, bear interest at rates between 10.75% and 10.90% (2006: 7.09% and 9.00%) and their carrying values at 31 December 2007 approximate their fair values due to the short-term maturities of these deposits.

	<u>Group</u>		<u>Society</u>	
	<u>2007</u> R	<u>2006</u> R	<u>2007</u> R	<u>2006</u> R
Short-term bank deposits				
Balance at beginning of the year	318 545 945	262 266 910	318 545 945	262 266 910
Interest received and accrued	22 815 135	22 017 387	22 815 135	22 017 387
Withdrawal	(256 438 047)	(19 738 352)	(256 438 047)	(19 738 352)
Invested	45 500 000	54 000 000	45 500 000	54 000 000
Balance at end of the year	<u>130 423 033</u>	<u>318 545 945</u>	<u>130 423 033</u>	<u>318 545 945</u>
Cash at bank and on hand				
Current accounts	16 567 693	8 053 301	16 399 314	8 132 073
Cash on hand	<u>3 750</u>	<u>3 750</u>	<u>100</u>	<u>100</u>
	<u>16 571 443</u>	<u>8 057 051</u>	<u>16 399 414</u>	<u>8 132 173</u>
	<u>146 994 476</u>	<u>326 602 996</u>	<u>146 822 447</u>	<u>326 678 118</u>

Cash at bank and on hand and short-term bank deposits are taken into account for the purposes of cash flow statement.

At 31 December 2007 the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets. The short term bank deposits and current accounts are with a credit rating of AAA banks. None of the financial assets is either past due or impaired.

10. POST RETIREMENT LIABILITY

The Society contributes towards the post retirement medical aid contributions of eligible employees employed by the group as at 31 December 2007. The method of accounting and valuation are similar to those for defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007(continued)**

	<u>Group</u>		<u>Society</u>	
	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
10. POST RETIREMENT LIABILITY (continued)				
<u>Medical liability</u>				
Liability at the beginning of the year	5 701 500	4 899 500	5 701 500	4 899 500
Expenses in respect of the current year	512 012	802 000	512 012	802 000
Benefits paid	(366 648)	(345 500)	(366 648)	(345 500)
Service cost	132 500	113 000	132 500	113 000
Interest cost	470 608	383 000	470 608	383 000
Actuarial loss	275 552	651 500	275 552	651 500
Liability at the end of the year	<u>6 213 512</u>	<u>5 701 500</u>	<u>6 213 512</u>	<u>5 701 500</u>
Post retirement medical payments recognised in the income statements	<u>165 005</u>	<u>160 049</u>	<u>165 005</u>	<u>160 049</u>

The liability is fully funded. The methodologies and assumptions used in this valuation remained unchanged from those used in the previous valuation.

Gross discount rate	8.5%p.a.	8.5%p.a.	8.5%p.a.	8.5%p.a.
Health care cost inflation	5.9%p.a.	6.0%p.a.	5.9%p.a.	6.0%p.a.
Pre-retirement mortality	Males: SA72-77; Females: SA72-77 rated down 3 years (same for 2006)			
Post-retirement mortality	Males:PML80 (base table); Females: PFL80(base table) (same for 2006)			
Continuation of membership at retirement	90%	90%	90%	90%
Assumed rate of return	8.0%p.a.	8.0%p.a.	8.0%p.a.	8.0%p.a.
Assumed rate of contribution increases	8.5%p.a.	8.5%p.a.	8.5%p.a.	8.5%p.a.
Assumed net discounted rate	2.5%p.a.	2.5%p.a.	2.5%p.a.	2.5%p.a.

Pension liability

All the employees of the Society and its subsidiaries belong to the De Beers Pension Fund or De Beers Retirement Fund defined contribution arrangement.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)**

	<u>Group</u>		<u>Society</u>	
	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
13. OUTSTANDING CLAIMS PROVISION				
Balance at beginning of the year	13 400 000	16 000 000	13 400 000	16 000 000
Payments in respect of prior year	<u>(12 360 474)</u>	<u>(12 093 510)</u>	<u>(12 360 474)</u>	<u>(12 093 510)</u>
Overprovision in respect of prior year	1 039 526	3 906 490	1 039 526	3 906 490
Adjustment for current year	<u>13 260 474</u>	<u>9 493 510</u>	<u>13 260 474</u>	<u>9 493 510</u>
Balance at end of year	<u>14 300 000</u>	<u>13 400 000</u>	<u>14 300 000</u>	<u>13 400 000</u>

Process used to determine the assumptions

The De Beers Benefit Society (DBBS) requested the Risk Monitor Group to estimate the provision for outstanding claims for the scheme at 31 December 2007 using the Health Monitor computer model (Health Monitor). The Health Monitor estimates claims incurred by service date based on the scheme's demographic profile and claims experience. The Health Monitor has been contracted by DBBS for more than five years, and has proven itself to be a reliable predictor of claims incurred. Results from the Health Monitor are reconciled with actual paid claims on a monthly basis and adjustments made where necessary to ensure that results remain accurate. The Health Monitor is contracted to estimate provisions on a monthly basis for outstanding claims for purposes of constructing the Society's management accounts. The assumptions used in estimating the claims incurred for DBBS are as follows:

MEMBERSHIP

Membership is analysed on a beneficiary-level by option, age, gender, area, dependant type and chronic status of the dependant. All membership movements for the period 1 January 2007 to December 2007 are incorporated in the calculation and the claims patterns adjusted accordingly.

TARIFF AND UTILISATION INCREASES

- An average price increase of 6% (2006: 6%) for all claim categories (including hospitalization tariff and non-tariff items, medicine, and professional medical fees) was assumed.
- The Health Monitor Computer Model automatically incorporates the effect of ageing of the population on the utilization of health services.
- Utilization escalation has been provided for at a level of 1.5% (2006: 1.5%) (over and above the effect of ageing) to provide for the so-called "technology effect" as well as the impact of HIV/AIDS.

CALCULATION OF PROVISION

The provision for outstanding claims is calculated as the difference between the Health Monitor's estimate of claims incurred for the period 1 January 2007 to December 2007 and the actual claims paid in 2007 for services in 2006.

REASONABILITY CHECKS

- In order to assess the reasonableness of the provision, it is compared to the provision calculated using traditional "chain ladder" methods, using claims development patterns derived from 2005 and 2006 as well as claims development patterns for December 2005 and December 2006 in isolation.

The Society believes that the liability for claims reported in the balance sheet is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)**

	<u>Group</u>		<u>Society</u>	
	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
14. GROSS CONTRIBUTIONS				
Gross contributions	<u>206 875 766</u>	<u>227 354 250</u>	<u>206 875 766</u>	<u>227 354 250</u>
15. NET CLAIMS INCURRED				
Claims paid and reported	159 996 717	144 134 455	159 996 717	144 134 455
Related party claims paid and Reported	<u>34 028 928</u>	<u>37 125 929</u>	<u>34 028 928</u>	<u>37 125 929</u>
Gross claims paid and reported	194 025 645	181 260 384	194 025 645	181 260 384
Discount received on claims	<u>(1 912 318)</u>	<u>(1 425 138)</u>	<u>(1 912 318)</u>	<u>(1 425 138)</u>
	192 113 327	179 835 246	192 113 327	179 835 246
Adjustment for outstanding claims provision (note 13)	<u>13 260 474</u>	<u>9 493 510</u>	<u>13 260 474</u>	<u>9 493 510</u>
	<u>205 373 801</u>	<u>189 328 756</u>	<u>205 373 801</u>	<u>189 328 756</u>
16. MANAGED CARE – MANAGEMENT SERVICES				
Hospital pre-authorisation	615 487	497 236	615 487	497 236
Claims validations	14 855	-	14 855	-
Oncology protocols	<u>48 735</u>	<u>44 541</u>	<u>48 735</u>	<u>44 541</u>
	<u>679 077</u>	<u>541 777</u>	<u>679 077</u>	<u>541 777</u>
17. ADMINISTRATION EXPENSES				
Actuary costs	407 610	549 486	407 610	549 486
Audit fees – Audit services	165 870	31 876	165 870	31 876
Audit fees - internal audit	75 953	-	75 953	-
Bank charges	226 403	315 772	226 403	315 772
Building and maintenance	337 839	31 292	337 839	31 292
Computer expenses	900 275	607 964	900 275	607 964
Consultancy fees	196 024	214 256	196 024	214 256
Depreciation	186 448	628 590	186 448	628 590
Fidelity insurance	75 666	90 073	75 666	90 073
Medical administration system	3 534 866	3 584 160	3 534 866	3 584 160
Principal Officer's remuneration	812 014	791 868	812 014	791 868
Printing and stationery	199 971	226 069	199 971	226 069
Postage	168 305	147 624	168 305	147 624

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)**

	<u>Group</u>		<u>Society</u>	
	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
17. ADMINISTRATION EXPENSES (continued)				
Telephone	118 208	114 376	118 208	114 376
Trustees' expenses	167 288	113 183	167 288	113 183
Staff costs	6 754 584	6 587 583	6 754 584	6 587 583
Other expenses	620 420	570 120	620 420	570 120
	<u>14 947 744</u>	<u>14 604 292</u>	<u>14 947 744</u>	<u>14 604 292</u>

TRUSTEES' REMUNERATION

	Fees for meeting attendance	Conference fee	Travelling cost	Total
2007				
R M Crawford	-	-	7 765	7 765
R W Ketley	-	-	7 765	7 765
L A Looock	-	-	7 765	7 765
J Moalusi	-	2 150	5 928	8 078
T G Baldwin	4 440	8 810	5 220	18 470
B R Bishop	8 880	8 810	27 030	44 720
K P Quinn	8 880	8 810	14 624	32 314
W Endersby	8 880	-	13 553	22 433
J H Britz	-	-	10 214	10 214
S D Martin	-	-	7 764	7 764
	<u>31 080</u>	<u>28 580</u>	<u>107 628</u>	<u>167 288</u>
2006				
R M Crawford	-	-	5 817	5 817
R W Ketley	-	-	5 817	5 817
S M Brown	-	-	5 817	5 817
L Coetzee	-	-	5 817	5 817
T G Baldwin	8 200	6 300	16 359	30 859
B R Bishop	10 200	6 300	24 592	41 092
J H Britz	-	-	12 147	12 147
S D Martin	-	-	5 817	5 817
	<u>18 400</u>	<u>12 600</u>	<u>82 183</u>	<u>113 183</u>

No other remuneration or other considerations were paid, except for the above-mentioned

	<u>Group</u>		<u>Society</u>	
	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
18. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES				
Provision	(47 125)	(44 003)	(47 125)	(44 003)
Written-off	-	(1 781)	-	(1 781)
	<u>(47 125)</u>	<u>(45 784)</u>	<u>(47 125)</u>	<u>(45 784)</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
19. INVESTMENT INCOME				
Other financial assets at fair value through profit and loss				
Net realised gains	2 108	-	2 108	-
Net unrealised gains	1 753 817	-	1 753 817	-
Interest received	50 753	-	50 753	-
	<u>1 806 678</u>	<u>-</u>	<u>1 806 678</u>	<u>-</u>
Cash and cash equivalents interest income				
Interest income	25 548 193	22 017 387	25 548 193	22 017 387
	<u>27 354 871</u>	<u>22 017 387</u>	<u>27 354 871</u>	<u>22 017 387</u>
20. RESULT OF SUBSIDIARY HOLDINGS				
Sales	6 488 972	6 607 357	-	-
Cost of sales	(5 597 180)	(5 636 822)	-	-
Gross profit	891 792	970 535	-	-
Less: Administration expenses	(1 078 009)	(970 535)	-	-
Staff cost	(732 032)	(704 772)	-	-
Other cost	(345 977)	(265 763)	-	-
	<u>(186 217)</u>	<u>-</u>	<u>-</u>	<u>-</u>
The Society provides medicine to its members from its subsidiaries				
21. SUNDRY INCOME				
Fraud recovery	171 000	-	171 000	-
Other income	1 672	-	1 672	-
	<u>172 672</u>	<u>-</u>	<u>172 672</u>	<u>-</u>

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2007**

	<u>Group</u>		<u>Society</u>	
	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
22. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES				
Net surplus for the year	14 076 047	45 006 040	14 262 264	45 006 040
Adjusted for:				
Provision for bad debt	47 125	45 784	47 125	45 784
Provision for post retirement liability	512 012	802 000	512 012	802 000
Depreciation/Write-offs	255 129	677 257	186 448	632 739
Taxation	(90 759)	-	-	-
Realised gain	(2 108)	-	(2 108)	-
Unrealised gain	(1 753 817)	-	(1 753 817)	-
Interest received	(25 598 946)	(22 017 387)	(25 598 946)	(22 017 387)
Operating deficit before working capital changes	<u>(12 555 317)</u>	<u>24 513 694</u>	<u>(12 347 022)</u>	<u>24 469 176</u>
23. RELATED PARTY TRANSACTIONS				
Associated employers				
Gross contributions received from Associated employers (note 14)	<u>206 875 766</u>	<u>227 354 250</u>	<u>206 875 766</u>	<u>227 354 250</u>
Subsidiaries				
Medicine supplied	-	-	<u>35 727 384</u>	<u>37 125 929</u>
Key personnel and close Family members				
Pensioner Trustees – attendance fee	44 400	31 000	44 400	31 000
Trustees – contributions	119 822	190 946	119 822	190 946
Trustees – claims	504 998	349 863	504 998	349 863
Trustees – claims debt	1 526	2 119	1 526	2 119
Principal Officer – remuneration	616 014	791 868	616 014	791 868
Principal Officer – contribution	27 528	35 871	27 528	35 871
Principal Officer – claims	22 167	118 647	22 167	118 647
Principal Officer – claims debt	282	290	282	290
Other key personnel – Remuneration	878 688	1 189 945	878 688	1 189 945
Other key personnel – contribution	38 562	38 652	38 562	38 652
Other key personnel – claims	29 896	25 026	29 896	25 026
Other key personnel – claims debt	929	1 301	929	1 301

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2007****23. RELATED PARTY
TRANSACTIONS (continued)***Associated employers*

The following employers participate in the Society in terms of the rules:

De Beers Consolidated Mines Ltd,
DTC Valuations Namibia (Pty) Ltd,
De Beers Benefit Society,
De Beers Marine (Pty) Ltd,
De Beers Marine Namibia (Pty) Ltd,
De Beers Pension Fund,
Debswana Diamond Company (Pty) Ltd,
De Beers Namibia (Pty) Ltd

and any other company, organisation or affiliate that has a specific association or relationship with the "EMPLOYER or ASSOCIATED EMPLOYERS", approved as such by the "EMPLOYER or ASSOCIATED EMPLOYERS", with or without any restriction on MEMBERSHIP as the "EMPLOYER or ASSOCIATED EMPLOYERS" may impose.

De Beers Group Services (Pty) Ltd and the above associated employers have nominated half the Board of Trustees and do not participate in the Society's financial and operating decisions.

24. FINANCIAL RISK MANAGEMENT

The Society's activities expose it to a variety of financial risk: market risk, credit risk and price risk. The group overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

The Society's financial instruments consist mainly of cash and cash equivalents, trade and other receivables, intercompany loans, trade and other payables and investments.

Principles of risk management

The Society is exposed in particular to risks from movements in interest rates that affect its assets, liabilities, and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities. Risk management is carried out by the Society's management on behalf of the Board of Trustees.

Credit risk

The Society's credit risk is primarily attributable to amounts receivable in respect of members' co-payments. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Society's management based on prior experience and the current economic environment.

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies. The Society has no significant concentration of credit risk, with exposure spread over a large number of counter parties and members. Management does not expect any losses from non-performance by these counterparties.

Foreign currency risks

As part of the presentation of market risks, IFRS 7 requires disclosures on how hypothetical changes in foreign currency exchange rates affect the price of financial instruments.

During the year ended 31 December 2007 the Society did not earn any income or incur any expenditure in foreign currencies. As a result no financial assets and liabilities are denominated in foreign currencies as of 31 December 2007

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2007****24. FINANCIAL RISK MANAGEMENT (continued)****Interest rate risk**

The Society's investment policy has changed from the prior year. The current investments include linked insurance policies and interest bearing instruments. The interest bearing investments are exposed to changes in the market interest rates.

The table below summarises the Society's exposure to institutional risk for interest bearing investments at 31 December 2007. These investments matured on 4 January 2008. As from 4 January 2008, the Society has no more interest bearing investments in terms of the investment strategy. A sensitivity analysis is therefore not necessary.

Society Institutions	2007 R	2006 R
ABSA	30 097 192	87 854 964
Investec	-	65 644 317
FNB	40 065 699	57 471 060
Nedbank	40 129 951	65 383 495
Standard Bank	36 529 605	50 324 282
	<u>146 822 447</u>	<u>326 678 118</u>

Investment market risk

The linked insurance policies are invested in pooled funds which are valued at fair value and are susceptible to market fluctuations. Investments are managed with the aim of maximising the Society's returns while limiting risk to acceptable levels within the framework of statutory requirements.

Society: Risk management credit/counter party risk

	Linked insurance policies held on behalf of the Society R	Cash and cash equivalents R	Total R	% of non-current assets including bank R
BANK				
ABSA	-	30 097 192	30 097 192	9.2%
FNB	-	40 065 699	40 065 699	12.2%
Nedbank	-	40 129 951	40 129 951	12.3%
Standard Bank	-	36 529 605	36 529 605	11.2%
ASSET MANAGERS - LOCAL				
Allan Gray Investment Solutions	117 054 790	-	117 054 790	35.8%
	63 512 895	-	63 512 895	19.3%
	<u>180 567 685</u>	<u>146 822 447</u>	<u>327 390 132</u>	<u>100.0%</u>

The market value of investments will fluctuate because of changes in market prices. Changes in market value are recorded through profit and loss.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2007****24. FINANCIAL RISK MANAGEMENT (continued)**

Linked insurance policy market exposure

ASSET MANAGERS - LOCAL	Fair value at 31 December 2007	Market movement by 5%	Market movement by 10%
	R	R	R
Allan Gray Investment Solutions	117 054 790	5 852 740	11 705 479
	63 512 895	3 175 645	6 351 290
	<u>180 567 685</u>	<u>9 028 385</u>	<u>18 056 769</u>

ASSET MANAGERS - LOCAL	Fair value at 31 December 2007	Market movement by -5%	Market movement by -10%
	R	R	R
Allan Gray Investment Solutions	117 054 790	(5 852 740)	(11 705 479)
	63 512 895	(3 175 645)	(6 351 290)
	<u>180 567 685</u>	<u>(9 028 385)</u>	<u>(18 056 769)</u>

The linked insurance policies are neither past due nor impaired. The assets underlying the linked insurance policies are exposed to the following market sectors:

Equity

Oil & gas
Basic Materials
Industrials
Consumer Goods
Telecommunications
Financials
Technology
Property
Gilts and semi Gilts
0 -3 years

Liquidity risk management

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation. The Society manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash funds are available. All the Society's liabilities are payable within one year, except for post retirement liability. The estimated values of the Society's current financial instruments carrying value approximate their fair values due to the short-term maturities of these assets.

Forecast liquidity reserve at December is as follows:

	2008	2012
	R	R
Accumulated funds		
Opening balance	301 452 682	321 489 775
Operating proceeds	7 121 421	28 485 684
Administration expenses	(16 815 000)	(67 260 000)
Investment income	29 730 672	118 922 688
Closing balance	<u>321 489 775</u>	<u>401 638 147</u>

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2007****24. FINANCIAL RISK MANAGEMENT (continued)****Insurance risk management**

The primary insurance activity carried out by the Society assumes the risk of loss from members and their dependants that are directly subject to the risk. These risks relate to the health of the Society's members. As such the Society is exposed to the uncertainty surrounding the timing and severity of claims under contract. The Society also has exposure to market risk through its insurance and investment activities. The Society manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, fraud detection methods and monitoring of emerging issues.

The types of benefits offered by the Society in return for monthly contributions are indicated below:

- In-hospital benefits cover all costs incurred by members, whilst they are in hospital to receive pre-authorised treatment for certain conditions.
- Chronic benefits cover the cost of approved certain prescribed medicines consumed by members for chronic conditions/diseases, subject to registration on the chronic plan.
- Day-to-day benefits cover the cost up to 90% of the National Health Reference Price List tariff of all out of hospital medical attention, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines.
- All prescribed minimum benefits.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques. The Society limits a portion of the risks it underwrites so that it can control its exposures to losses and protect capital resources. A preferred provider network agreement exists between the Society and Medi-Clinic for the rendering of private hospital services and this agreement is further enforced by the inclusion of ER24 (risk transfer arrangement) in the preferred provider network agreement.

25 CAPITAL MANAGEMENT

The objective 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 Trustees have decided to adopt a strategy that ensures that:

- A major part of the surplus assets/funds are invested in portfolios that target a minimum real return of 5% above CPI, after fees;
- That the balance of assets is invested in liquid cash portfolios to be able to meet the regular cash flow demands of the Society; and
- Minimises risks and administration costs to an acceptable level.

The Trustee actively managed the Society to ensure compliance with Medical Schemes Act of 1998. The act requires a solvency ratio of 25%. The solvency ratio of the Society at end December 2007 was 145% (2006: 126%). This ratio exclude unrealised gains and can be expressed as 17.7 months cover (2006: 15.1 months cover), compared to the prescribed minimum cover of 3 months. The Board of Trustees is cognisant of the fact that the Society's contingency reserve (solvency ratio) is substantially higher than the minimum required by law. The contingency reserve is necessary due to the increasing average age of members.

26. TAXATION

The Society is exempt from tax. The subsidiaries income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financials statements. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. See note 5.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2007****27. EVENTS AFTER BALANCE SHEET DATE**

The Society initiated two legal claims for R42 542 and R50 000 respectively against two service providers. The two claims with a probability of success and estimated legal cost of R12 000 are pending. No other events have occurred subsequent to the end of the accounting period affecting the annual financial statements that the Trustees consider should be brought to your attention.

28. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Society's accounting policies, management has made no material judgements, except for the post retirement liability (see note 10) and claims provision (see note 13), that have a significant effect on the amounts recognised in the financial statements.

DE BEERS BENEFIT SOCIETY

SUPPLEMENTARY STATEMENT

**(This schedule does not form
part of the annual financial
statements)**

DE BEERS BENEFIT SOCIETY

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2007

	2007		2006	
	TOTALS	Average per member per month	TOTALS	Average per member per month
		%		%
INCOME				
Contributions	206 875 766	1 961.50	227 354 250	1 997.91
Other income	27 003 550	256.04	22 017 387	193.48
	<u>233 879 316</u>	<u>2 217.54</u>	<u>249 371 637</u>	<u>2 191.39</u>
EXPENDITURE				
General practitioners	18 121 466	171.82	20 305 841	178.44
Specialists	43 152 252	409.15	41 018 760	360.46
Dentists	8 442 382	80.05	8 572 659	75.33
Dental specialists	1 452 926	13.78	1 619 382	14.23
Hospitals	73 465 528	696.57	63 147 063	554.91
Medicines	40 378 056	382.85	39 689 646	348.78
Supplementary services	6 623 174	62.80	6 084 044	53.46
Optometrists	8 079 597	76.61	7 420 249	65.21
Homeopaths	88 890	0.84	92 840	0.82
Appliances	505 689	4.79	592 382	5.21
Physiotherapy	2 702 501	25.62	2 607 773	22.92
	<u>203 012 461</u>	<u>1 924.87</u>	<u>191 150 639</u>	<u>1 679.77</u>
Ex-gratia payments	1 461 340	13.86	778 117	6.84
Claims recovered from risk transfer arrangement	(2 572 792)	(24.40)	(1 541 778)	(13.54)
Risk transfer arrangement	630 085	5.97	584 766	5.14
Accrued benefits at 31.12.07	14 300 000	135.59	13 400 000	117.75
Accrued benefits at 31.12.06	(13 400 000)	(127.05)	(16 000 000)	(140.00)
TOTAL BENEFITS PAID AND ACCRUED	<u>203 431 094</u>	<u>1 928.84</u>	<u>188 371 744</u>	<u>1 655.36</u>
Managed care - management services	679 077	6.44	522 370	4.59
Administration expenses	14 808 421	140.41	14 040 893	123.38
Post - retirement liability	512 012	4.85	802 000	7.05
Depreciation	186 448	1.77	628 590	5.51
TOTAL EXPENDITURE	<u>219 617 052</u>	<u>2 082.31</u>	<u>204 365 597</u>	<u>1 795.89</u>
EXCESS OF INCOME OVER EXPENDITURE	<u>14 262 264</u>	<u>135.23</u>	<u>45 006 040</u>	<u>395.50</u>
Balance beginning of year	287 190 418	2 723.01	242 184 378	2 128.23
Balance at end of year	<u>301 452 682</u>	<u>2 858.24</u>	<u>287 190 418</u>	<u>2 523.73</u>
Average membership (excluding dependants)	8 789		9 483	