

ANNUAL REPORT (REVISED)

DE BEERS BENEFIT SOCIETY

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

31 DECEMBER 2006

DE BEERS BENEFIT SOCIETY

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

ANNUAL REPORT 2006 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 (appointed 27 January 2006) J Moalusi (appointed 5 December 2006) L Coetzee (resigned 27 August 2006) S M Brown (resigned 27 January 2006)

TRUSTEES ELECTED BY MEMBERS OF THE SOCIETY

T G Baldwin
B R Bishop
J H Britz
S D Martin

Principal Officer

L Coetzee (appointed 28 August 2006)
19 Monument Park
Monument Heights
Kimberley
8301

A Wingreen (resigned 15 August 2006)

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 2006

GENERAL INFORMATION (continued)

Investment managers

Self - administered

Actuaries

The Risk Monitor Group
Ground Floor, Block J
Central Park
400-16th Road
Midrand
1683

Private Bag X17
Halfway House
1685

Auditors

PricewaterhouseCoopers Inc
1 D'Arcy Street
Kimberley
8301

PO Box 32
Kimberley
8300

Country of incorporation

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

DE BEERS BENEFIT SOCIETY

CONTENTS	Pages
Notice to members	4
Report of the Board of Trustees	5 - 7
Statement of responsibility by the Board of Trustees	8
Statement of corporate governance by the Board of Trustees	9
Report of the independent auditors to the Members of De Beers Benefit Society	10
Balance sheets	11
Income statements	12
Statement of changes in funds and reserves	13
Cash flow statements	14
Notes to the annual financial statements	15 - 33

DE BEERS BENEFIT SOCIETY**NOTICE TO MEMBERS**

NOTICE IS HEREBY GIVEN THAT THE ONE HUNDRED AND EIGHTEENTH ANNUAL GENERAL MEETING OF THE DE BEERS BENEFIT SOCIETY WILL BE HELD AT 36 STOCKDALE STREET, KIMBERLEY ON 25 APRIL 2007 AT 16H30.

1. To approve the minutes of the 117th Annual General Meeting held on 25 April 2006.
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 2006.
3. To consider the appointment of auditors for the year ending 31 December 2007. 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 2007.
4. In terms of Rule 18.18, to approve the honorarium of non-employee member elected Trustees at R2 220 per meeting attended.
5. The process of electing the member Trustees, in terms of the rules of the Society, commenced in November 2006. Eight principal members were nominated. The Principal Officer will announce the results of the election at the meeting.

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

13 March 2007

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 eighteenth annual report for the year ended 31 December 2006.

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 only provides one option.

Financial results for the year under review

The Society and group reflected a surplus from operations for the year of R45 006 040 (2005: R59 377 577) after incorporating investment income. The decrease in surplus from operations is due to the decrease in membership and an increase in claims. The Society and group's reserves have grown to R287 190 418 (2005: R242 184 378). The solvency ratio of the Society at end December 2006 was 126% (2005: 105%). This ratio can be expressed as 15.1 months cover (2005: 12.6 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. Of total benefits paid in 2006, Hospitals comprised 33% (2005: 34%), Medicines 21% (2005: 21%), Specialists 22% (2005: 22%), General Practitioners 11% (2005:10%), Dentists and Dental Specialists 6% (2005: 6%) and other benefit types 7% (2005: 7%).The Society's short-term bank deposits increased by R54 000 000 (2005: R67 000 000) and the investments earned on average 7.86% (2005:8.38%) interest.

Investment strategy

The investment strategy provides for short term fixed deposits in terms of the prescribed requirements.

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, particular within the risk management functions to ensure that is embedded in the performance of everyday operations. The Society encourages employees to be mindful of managing risk by making it a key performance area. Trustee elections will be held in 2007.

External service providers

The Board monitors 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 Scheme in a rapidly changing South African healthcare environment and the increasing age profile of the membership. Taking cognisance of this, the Society agreed not to increase contributions for 2007, marking a historical occasion. The Society introduced a scheme rate in 2006 to ensure that members who made use of the preferred provider hospital network had fewer out-of-pocket expenses for in-hospital expenses. The Trustees are confident that the members receive value for money considering the administration cost, benefits and contribution rates of the Society. To improve the service delivery in terms of processing and payment of claims, there is a drive to increase the number of claims submitted electronically. The percentage of electronic claims compared with manual claims has increased from 75% in 2005 to 80% in 2006.

Auditors

In terms of Rule 25.1, the members appointed PricewaterhouseCoopers Incorporated as the Society's auditors for 2006.

Risk transfer arrangement

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

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

	2006		2005	
	Members	Beneficiaries	Members	Beneficiaries
<u>Membership</u>				
Membership at 1 January	9 770	25 093	10 126	26 229
New members	417	1 009	400	815
Members exited	(992)	(2 956)	(756)	(1 951)
Membership at 31 December	9 195	23 146	9 770	25 093

Average number of members/beneficiaries for the accounting period	9 483	24 120	9 948	25 661
Average age of beneficiaries for the accounting period	48	37	47	33
Dependant ratio to members at 31 December	1:40		1:39	
Pensioner ratio		16.53%		20.75%

Average per member/beneficiary per month

<u>Income</u>				
Gross contributions	1 998	786	1 937	751
Other income	193	76	154	60
Total income	2 191	862	2 091	811
<u>Expenses</u>				
Total benefits paid and accrued	1 650	649	1 471	571
Managed care – management services	5	2	4	2
Risk transfer arrangement	5	2	4	1
Administration expenses	128	49	114	44
Post retirement medical expenses	7	3	1	-
Total expenditure	1 795	705	1 594	618
Excess of income over expenditure	396	157	497	193

Average accumulated funds per member at 31 December	30 087	24 346
Claims as a % of contributions	76%	71%
Non health expenses as % of contributions	6%	5%
Solvency ratio	126%	105%
Accumulated funds per Regulation 29	287 190 418	242 184 378
Gross contributions	227 354 250	231 181 825

Post balance sheet events

A decision was taken by the principle employer subsequent to the balance sheet date to amalgamate certain operations with those of the operations of Alexkor Limited, which is owned by the South African government. It has also been announced that offers will be sought in the process of the disposal of Cullinan Diamond Mine as a going concern, and the disposal of Kimberley Underground Mines as well as a number of residual and dormant tailing resources in and around Kimberley. This has the potential of further reducing membership. 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)****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 11 and this is consistent with the prior year. Details of the movement on the outstanding claims provision are set out in note 14 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 was established 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 as recommended by the King Report was not held, 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 Financial Services Manager, 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
T G Baldwin	Trustee
M K Changfoot (appointed 1 October 2006)	Member
J E de Kock (appointed 5 December 2006)	Member
I N Scheepers	Member
S M Brown (resigned 14 March 2006)	Trustee
A S Dickens (resigned 30 September 2006)	Member

Meeting Attendance

Meetings	February	March	June	September	December
Trustee					
R M Crawford	Yes	Yes	Yes	Yes	Yes
R W Ketley	Yes	Yes	Yes	Yes	Yes
L Coetzee	Yes	Yes	Yes	Resigned	Resigned
S E O Dietrich	Apology	Apology	Apology	Yes	Yes
T G Baldwin	Yes	Yes	Yes	Yes	Yes
B R Bishop	Yes	Yes	Yes	Yes	Yes
J H Britz	Yes	Yes	Yes	Apology	Yes
S D Martin	Apology	Apology	Yes	Apology	Apology
J Moalusi	N/a	N/a	N/a	N/a	Yes
Audit committee		March			December
R W Ketley		Yes			Yes
T G Baldwin		Yes			Yes
M K Changfoot		N/a			Yes
I N Scheepers		Yes			Yes
A S Dickens		Yes			Resigned
S M Brown		Apology			Resigned

DE BEERS BENEFIT SOCIETY**STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2006**

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 11 to 33 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.

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.

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 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 10.

The financial statements were approved by the Board of Trustees on 30 August 2007 and are signed on its behalf by:

R M CRAWFORD
CHAIRMAN

R W KETLEY
TRUSTEE

L COETZEE
PRINCIPAL OFFICER

30 August 2007

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 CONTROL

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

30 August 2007

DE BEERS BENEFIT SOCIETY**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF 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 2006, the income statement and the consolidated income statement, the statement of changes in funds and reserves and the consolidated statement of changes in funds and reserves, 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 11 to 33.

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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 2006, 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 28 to the financial statements which indicate that the previously issued financial statements for the year ended 31 December 2006 on which we issued an audit report dated 22 March 2007, have been revised and reissued. This revision is to reflect the effects of the reclassification of certain line items in the income statement as required by the Council for Medical Schemes: "Risk transfer arrangement fees", R584 766 (2005: R464 984), "Net claims incurred", R189 328 756 (2005: R177 088 290) and "Managed care: management services", R541 777 (2005:R459 375), have been included as part of "Expenses".

PricewaterhouseCoopers Inc.
Director: Gert Allen
Registered Auditor
1 D'Arcy Street
Kimberley

30 August 2007

DE BEERS BENEFIT SOCIETY**BALANCE SHEETS****AT 31 DECEMBER 2006**

	<u>Notes</u>	<u>Group</u>		<u>Society</u>	
		<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
		<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
ASSETS					
Non-current assets		385 954	864 275	292 822	801 778
Tangible assets		376 598	522 891	284 933	463 526
Intangible assets		9 356	341 384	7 686	338 049
Tangible and intangible assets	2	385 954	864 275	292 619	801 575
Investment in subsidiaries	3	-	-	203	203
Current assets		337 274 592	287 641 278	334 660 358	285 259 507
Inventories	4	3 458 432	3 333 193	-	-
Amounts receivable from related parties	5	-	-	2 175 700	1 799 839
Trade and other receivables	6	7 213 164	4 754 311	5 806 540	3 863 880
Short-term bank deposits	7	318 545 945	262 266 910	318 545 945	262 266 910
Cash and cash equivalents	8	8 057 051	17 286 864	8 132 173	17 328 878
Total assets		<u>337 660 546</u>	<u>288 505 553</u>	<u>334 953 180</u>	<u>286 061 285</u>
FUNDS AND LIABILITIES					
Members' funds		287 190 418	242 184 378	287 190 418	242 184 378
Accumulated funds		287 190 418	242 184 378	287 190 418	242 184 378
Long term liabilities		5 701 500	4 899 500	5 701 500	4 899 500
Post retirement liability	9	5 701 500	4 899 500	5 701 500	4 899 500
Current liabilities		44 768 628	41 421 675	42 061 262	38 977 407
Trade and other payables	10	30 783 862	24 956 689	28 076 496	22 512 421
Risk transfer arrangement	14	584 766	464 986	584 766	464 986
Outstanding claims provision	11	13 400 000	16 000 000	13 400 000	16 000 000
Total funds and liabilities		<u>337 660 546</u>	<u>288 505 553</u>	<u>334 953 180</u>	<u>286 061 285</u>

DE BEERS BENEFIT SOCIETY**INCOME STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2006**

		<u>Group</u>		<u>Society</u>	
	<u>Notes</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
		<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Gross contributions	12	227 354 250	231 181 825	227 354 250	231 181 825
Investment income	13	<u>22 017 387</u>	<u>18 357 962</u>	<u>22 017 387</u>	<u>18 357 962</u>
Net income		<u>249 371 637</u>	<u>249 539 787</u>	<u>249 371 637</u>	<u>249 539 787</u>
Net claims incurred	14	(189 328 756)	(177 088 290)	(189 328 756)	(177 088 290)
Claims recoveries from risk transfer arrangement	14	1 541 778	1 469 359	1 541 778	1 469 359
Fees expense: Risk transfer arrangement	14	(584 766)	(464 984)	(584 766)	(464 984)
Managed care - management services	15	(541 777)	(459 375)	(541 777)	(459 375)
Administration expenses	16	(14 604 292)	(13 475 498)	(14 604 292)	(13 475 498)
Post retirement medical expense	9	(802 000)	(143 500)	(802 000)	(143 500)
Bad debts	17	<u>(45 784)</u>	<u>78</u>	<u>(45 784)</u>	<u>78</u>
Expenses		<u>(204 365 597)</u>	<u>(190 162 210)</u>	<u>(204 365 597)</u>	<u>(190 162 210)</u>
Result of subsidiary holdings	18	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net surplus for the year		<u>45 006 040</u>	<u>59 377 577</u>	<u>45 006 040</u>	<u>59 377 577</u>

DE BEERS BENEFIT SOCIETY**STATEMENT OF CHANGES IN FUNDS AND RESERVES****FOR THE YEAR ENDED 31 DECEMBER 2006**

SOCIETY AND GROUP	<u>Notes</u>	<u>2006</u> <u>R</u> <u>Accumulated</u> <u>funds</u>	<u>2005</u> <u>R</u> <u>Accumulated</u> <u>funds</u>
Balance at beginning of the year		242 184 378	182 806 801
Net surplus for the year		45 006 040	59 377 577
Surplus for the year before prior year adjustment		45 006 040	58 611 060
Risk transfer arrangement expenses for 2005	21	-	(464 985)
Discount received on hospital claims for 2005	21	-	1 231 502
Balance at end of the year		<u>287 190 418</u>	<u>242 184 378</u>

DE BEERS BENEFIT SOCIETY**CASH FLOW STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2006**

		<u>Group</u>		<u>Society</u>	
	<u>Notes</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
		<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
CASH FLOW FROM OPERATING ACTIVITIES					
Cash flows from operations before working capital changes	19	(10 595 738)	(5 608 712)	(10 640 256)	(5 761 014)
Working capital changes					
(Increase)/decrease in inventories		(125 239)	219 811	-	-
(Increase)/decrease in receivables from related parties		-	-	(375 861)	118 066
(Increase) in trade and other receivables		(1 912 170)	(468 979)	(1 395 977)	(1 237 605)
Increase in trade and other payables		6 202 270	1 178 226	5 939 172	2 185 129
(Decrease) in outstanding claims provision		(2 600 000)	(2 937 229)	(2 600 000)	(2 937 229)
Net cash from operating activities		<u>(9 030 877)</u>	<u>(7 616 883)</u>	<u>(9 072 922)</u>	<u>(7 632 653)</u>
Cash flows to investing activities					
Purchase of tangible assets		(198 936)	(237 415)	(123 783)	(202 496)
Net cash to investing activities		<u>(198 936)</u>	<u>(237 415)</u>	<u>(123 783)</u>	<u>(202 496)</u>
Net decrease in cash and cash equivalents		(9 229 813)	(7 854 298)	(9 196 705)	(7 835 149)
Cash and cash equivalents at beginning of the year		<u>17 286 864</u>	<u>25 141 162</u>	<u>17 328 878</u>	<u>25 164 027</u>
Cash and cash equivalents at the end of the year	8	<u>8 057 051</u>	<u>17 286 864</u>	<u>8 132 173</u>	<u>17 328 878</u>

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2006****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 on the historical cost basis.

The preparation of financials 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. These 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 23.

New standards, amendments and interpretations effective in 2006

The following new standards, amendments and interpretations are mandatory for accounting periods ending on 31 December 2006:

Title	Effective date - financial year commencing on or after
<p>IAS 39 - <i>The fair value option</i>. This amendment restricts the possibility for the Scheme to designate financial instruments at fair value through profit or loss that are not held for trading or derivatives. The designation of an instrument to be at fair value is now possible when it removes or significantly reduces accounting mismatches in measurement or presentation, or where financial instruments are managed and their performance is evaluated on a fair value basis. The Scheme was able to continue to measure at fair value through profit or loss all financial instruments that it has previously designated at fair value through profit or loss because it met the conditions for designation.</p>	01 Jan 2006

New standards, amendments and interpretations not yet effective

The following new standards, amendments and interpretations are not yet effective for the current financial year. The Scheme will comply with the new statements from the effective date.

Title	Effective for financial year ends commencing on or after
<p>IFRS 7 – <i>Financial Instruments: Disclosures (New standard), and consequential amendments to IAS 1, Presentation of Financial Statements</i>. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Scheme's financial instruments. It will have an impact on qualitative and quantitative disclosures for the year ending 31 December 2007. The amendment to IAS 1 introduces disclosures about the level of any entity's capital and how it manages capital.</p>	01 Jan 2007

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2006****1 PRINCIPAL ACCOUNTING POLICIES (continued)****1.2 Group accounting*****Subsidiaries***

Subsidiaries' undertakings, which are those companies in which the Society, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Society and are no longer consolidated from the date of disposal. All inter-group transactions, balances and unrealised surpluses and deficits on transactions between group entities have been eliminated.

1.3 Tangible and intangible assets

Tangible and 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 tangible and intangible assets are:

<i>Tangible assets</i>		
Computer equipment	2 – 5	years
Office equipment	3 – 8	years
Furniture and fittings	10 – 15	years

<i>Intangible assets</i>		
Computer software	2 – 5	years

The useful lives and residual values of computer equipment and software are assessed annually. Office equipment, furniture and fittings are not assessed due to insignificant value and the cost involved.

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 Scheme 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 depreciated 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 tangible and intangible assets are recognised in the income statement. Carrying amounts of all items of tangible and intangible assets are reduced to their recoverable amount, where this is lower than the carrying amount. In determining the recoverable amount of tangible and intangible assets, the expected future cash flows attributable to such assets are considered.

1.4 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.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2006****1 PRINCIPAL ACCOUNTING POLICIES (continued)****1.5 Financial instruments**

Financial assets and liabilities are recognised on the Society's balance sheet when it becomes a party to the contractual provisions of the instrument. The Society classifies its financial instruments into trade and other receivables, trade and other payables as well as short-term bank deposits.

Measurement

Financial instruments are initially measured at fair value plus, in the case of financial assets and liabilities, transaction costs that are directly attributable to acquisition or issue of the financial asset or liability. Subsequent to initial recognition, these instruments are measured as set out below. Financial assets are derecognised when the rights to received cash flows from them have expired or where they have been transferred and the Society has also transferred substantially all risks and rewards of ownership.

Investments

Investments with a fixed maturity date less than a year that management has the intent and ability to hold-to-maturity are classified as short - term bank deposits and are included in current assets.

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 this category and are reviewed for impairment as part of the impairment review of trade and other receivables

Financial liabilities

Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. The Society derecognises financial liability when the contractual obligations are discharges or expire.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 Cash and cash equivalents

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

1.7 Manage care

These expenses represents 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.

1.8 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.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2006****1 PRINCIPAL ACCOUNTING POLICIES (continued)****1.8 Provisions (continued)***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.

1.9 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.

1.10 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.

1.11 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.

1.12 Claims

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 and;
- services rendered to members from the Society's own facilities, and
- 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 difference 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.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2006 (continued)****1 PRINCIPAL ACCOUNTING POLICIES (continued)****1.13 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 non-employee Trustee meeting attendance fee. The functions of Principal Officer and manager are performed by the same person who is supported by the Financial Services Manager and Assistant Manager.

1.14 Investment income

Interest income is recognised on a yield to maturity basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Society.

1.15 Employee benefits*Post retirement benefits*

The Society provides a defined contribution pension fund for its employees. 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 retirement age. The expected costs of these benefits are accrued over the estimated average remaining service lives of active employees. An independent qualified actuary, on an annual basis carries out valuations of the obligations, using the projected unit credit method. The cost is charged to the income statement.

1.16 Impairment of assets

The carrying amounts of the Society's assets, other than, inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ("a loss event") and that the loss event has an impact on the future cash flows of the financial assets of group of financial assets that can be reliably estimated. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows discounted at the financial assets of original effective interest rate. The carrying amount is reduced through the use of an allowance account. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversed is recognised in the income statement.

1.17 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 2006 (continued)****2. TANGIBLE AND INTANGIBLE ASSETS****GROUP**

	<u>Furniture, fittings and equipment</u>	<u>Vehicles</u>	<u>Computer equipment</u>	<u>Computer software</u>	<u>Total</u>
2006	R	R	R	R	R
Cost	116 022	14 828	2 488 349	1 656 873	4 276 072
Opening balance	114 286	14 828	2 401 471	1 656 873	4 187 458
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	1 647 517	3 890 118
Opening balance	31 679	14 827	1 961 188	1 315 489	3 323 183
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	332 028	676 697
CARRYING BOOK VALUE	83 469	1 000	292 129	9 356	385 954
2005					
Cost	114 286	14 828	2 401 471	1 656 873	4 187 458
Opening balance	546 795	14 828	2 861 660	2 093 346	5 516 629
Write – offs	(444 902)	-	(685 211)	(436 473)	(1 566 586)
Additions	12 393	-	225 022	-	237 415
Accumulated depreciation	31 679	14 827	1 961 188	1 315 489	3 323 183
Opening balance	322 999	14 827	2 224 989	1 403 951	3 966 766
Write – offs	(444 902)	-	(685 211)	(436 473)	(1 566 586)
Depreciation for the year	153 582	-	421 410	348 011	923 003
CARRYING BOOK VALUE	82 607	1	440 283	341 384	864 275

Write - offs

Tangible and intangible assets were written-off as they became obsolete during the year.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)**
2. TANGIBLE AND INTANGIBLE ASSETS (CONTINUED)
SOCIETY

	<u>Furniture, fittings and equipment</u> R	<u>Computer equipment</u> R	<u>Computer software</u> R	<u>Total</u> R
2006				
Cost	113 784	2 214 596	1 651 873	3 980 253
Opening balance	90 299	2 224 620	1 651 873	3 966 792
Write – offs/disposals	(10 343)	(99 979)	-	(110 322)
Additions	33 828	89 955	-	123 783
Accumulated depreciation	32 553	2 010 894	1 644 187	3 687 634
Opening balance	29 679	1 821 714	1 313 824	3 165 217
Write – offs	(6 204)	(99 969)	-	(106 173)
Depreciation for the year	9 078	289 149	330 363	628 590
CARRYING BOOK VALUE	81 231	203 702	7 686	292 619
2005				
Cost	90 299	2 224 620	1 651 873	3 966 792
Opening balance	245 473	2 452 132	1 991 710	4 689 315
Write – offs	(170 066)	(415 116)	(339 837)	(925 019)
Additions	14 892	187 604	-	202 496
Accumulated depreciation	29 679	1 821 714	1 313 824	3 165 217
Opening balance	124 470	1 871 803	1 323 262	3 319 535
Write – offs	(170 066)	(415 116)	(339 837)	(925 019)
Depreciation for the year	75 275	365 027	330 399	770 701
CARRYING BOOK VALUE	60 620	402 906	338 049	801 575

Write - offs

Tangible and intangible assets were written-off as they became obsolete during the year.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)**

	<u>Group</u>		<u>Society</u>	
	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>
3. 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>
	<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.				
4. INVENTORIES				
Inventory consists of:				
Medication and pharmaceutical supplies from subsidiaries	3 458 432	3 333 193	-	-
	<u>3 458 432</u>	<u>3 333 193</u>	<u>-</u>	<u>-</u>
5. AMOUNTS RECEIVABLE FROM RELATED PARTIES				
Loans rendered				
Benefit Society Dispensary (Proprietary) Limited	-	-	946 550	1 089 943
Hobbes and Associates Incorporated	-	-	1 229 150	709 896
	<u>-</u>	<u>-</u>	<u>1 229 150</u>	<u>709 896</u>
	<u>-</u>	<u>-</u>	<u>2 175 700</u>	<u>1 799 839</u>

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)**

	<u>Group</u>		<u>Society</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
6. TRADE AND OTHER RECEIVABLES				
Recoveries from members for co-payments	2 561 703	1 490 519	2 561 703	1 490 519
Other receivables	4 651 461	3 263 792	3 244 003	2 343 545
Indebtedness by subsidiaries	-	-	834	29 816
	<u>7 213 164</u>	<u>4 754 311</u>	<u>5 806 540</u>	<u>3 863 880</u>

At 31 December 2006 the carrying amounts of accounts receivable approximate their fair values due to the short-term maturities of these assets.

7. SHORT-TERM BANK DEPOSITS

The short-term bank deposits comprise fixed deposits held at the major banks in South Africa. These deposits have a maturity date of less than one year, bear interest at rates between 7.09% and 9.00% (2005: 7.5% and 9.15%) and their carrying values at 31 December 2006 approximate their fair values due to the short-term maturities of these deposits.

	<u>Group</u>		<u>Society</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Balance at beginning of the year	262 266 910	196 357 618	262 266 910	196 357 618
Interest received and accrued	22 017 387	18 357 962	22 017 387	18 357 962
Withdrawal	(19 738 352)	(19 448 670)	(19 738 352)	(19 448 670)
Invested	<u>54 000 000</u>	<u>67 000 000</u>	<u>54 000 000</u>	<u>67 000 000</u>
Balance at end of the year	<u>318 545 945</u>	<u>262 266 910</u>	<u>318 545 945</u>	<u>262 266 910</u>

8. CASH AND CASH EQUIVALENTS

Current accounts	8 053 301	17 283 114	8 132 073	17 328 778
Cash on hand	<u>3 750</u>	<u>3 750</u>	<u>100</u>	<u>100</u>
	<u>8 057 051</u>	<u>17 286 864</u>	<u>8 132 173</u>	<u>17 328 878</u>

At 31 December 2006 the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)**

	<u>Group</u>		<u>Society</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
9. POST RETIREMENT LIABILITY				
The Society contributes towards the post retirement medical aid contributions of eligible employees employed by the group as at 31 December 2006 . The method of accounting and valuation are similar to those for defined benefit schemes. The actuarial valuation to determine the liability is performed annually.				
<u>Medical liability</u>				
Liability at the beginning of the year	4 899 500	4 756 000	4 899 500	4 756 000
Expenses in respect of the current year	802 000	143 500	802 000	143 500
Benefits paid	(345 500)	(302 000)	(345 500)	(302 000)
Service cost	113 000	150 000	113 000	150 000
Interest cost	383 000	420 000	383 000	420 000
Actuarial loss/(gain)	651 500	(124 500)	651 500	(124 500)
Liability at the end of the year	<u>5 701 500</u>	<u>4 899 500</u>	<u>5 701 500</u>	<u>4 899 500</u>
Post retirement medical payments	<u>160 049</u>	<u>130 207</u>	<u>160 049</u>	<u>130 207</u>
Assumed rate of return			8.0%p.a.	9.0%p.a.
Assumed rate of contribution increases			5.4%p.a.	6.3%p.a.
Assumed net discounted rate			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.

10. TRADE AND OTHER PAYABLES

Contributions received in advance	21 771 439	19 455 216	21 771 439	19 455 216
Sundry accounts payable	<u>9 012 423</u>	<u>5 501 473</u>	<u>6 305 057</u>	<u>3 057 205</u>
	<u>30 783 862</u>	<u>24 956 689</u>	<u>28 076 496</u>	<u>22 512 421</u>

At 31 December 2006 the carrying amounts of accounts payable approximate their fair values due to the short-term maturities of these liabilities.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2006(continued)**

	<u>2006</u> R	<u>Group</u> 2005 R	<u>2006</u> R	<u>Society</u> 2005 R
11. OUTSTANDING CLAIMS PROVISION				
Balance at beginning of the year	16 000 000	18 937 229	16 000 000	18 937 229
Payments in respect of prior year	<u>(12 093 510)</u>	<u>(11 946 253)</u>	<u>(12 093 510)</u>	<u>(11 946 253)</u>
Overprovision in respect of prior year	3 906 490	6 990 976	3 906 490	6 990 976
Adjustment for current year	<u>9 493 510</u>	<u>9 009 024</u>	<u>9 493 510</u>	<u>9 009 024</u>
Balance at end of year	<u>13 400 000</u>	<u>16 000 000</u>	<u>13 400 000</u>	<u>16 000 000</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 2006 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 used by DBBS for more than three 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 used on a monthly basis to estimate provisions 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

The actual demographics of the scheme were used, incorporating all membership movements for the period January to December 2006. Membership is analysed on a beneficiary-level by option, age, gender, area and type of dependant and chronic status of the dependant.

TARIFF AND UTILISATION INCREASES

- An average price increase of 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% (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 in 2006 and actual claims paid in 2006 for services in 2006.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)****11. OUTSTANDING CLAIMS PROVISION (continued)****REASONABILITY CHECKS**

This estimation was tested against estimations produced by the following calculations:

- Actual claims paid in 2006 for 2005, adjusted for inflation and the number of beneficiaries in DBBS;
- Traditional “chain ladder” methods, using claims development patterns derived from 2005, 2006 as well as an analysis of the development patterns of December 2005 in isolation; and
- An analysis of claims already paid in 2007 for 2006, at the time of signing this document.

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.

	Group		Society	
	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>
12. GROSS CONTRIBUTIONS				
Gross contributions	<u>227 354 250</u>	<u>231 181 825</u>	<u>227 354 250</u>	<u>231 181 825</u>
13. INVESTMENT INCOME				
Interest from short-term bank deposits and bank balances	<u>22 017 387</u>	<u>18 357 962</u>	<u>22 017 387</u>	<u>18 357 962</u>
14. NET CLAIMS INCURRED				
Claims paid and reported	144 134 455	133 757 790	144 134 455	133 757 790
Related party claims paid and Reported	<u>37 125 929</u>	<u>37 960 530</u>	<u>37 125 929</u>	<u>37 960 530</u>
Gross claims paid and reported	181 260 384	171 718 320	181 260 384	171 718 320
Less:				
Discount received on claims	<u>(1 425 138)</u>	<u>(3 639 054)</u>	<u>(1 425 138)</u>	<u>(3 639 054)</u>
	179 835 246	168 079 266	179 835 246	168 079 266
Add:				
Adjustment for outstanding claims provision (note 11)	<u>9 493 510</u>	<u>9 009 024</u>	<u>9 493 510</u>	<u>9 009 024</u>
	<u>189 328 756</u>	<u>177 088 290</u>	<u>189 328 756</u>	<u>177 088 290</u>

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)**

	<u>Group</u>		<u>Society</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
14. NET CLAIMS INCURRED(Continued)				
The Society operated a risk transfer contract with ER24 service for emergency ambulance services. The Society pays a fixed fee for the risk transfer arrangement.				
Own claims incurred if no risk transfer arrangement was in place	1 541 778	1 469 359	1 541 778	1 469 359
Saving due to risk transfer arrangement	(957 012)	(1 004 375)	(957 012)	(1 004 375)
Expense incurred	<u>584 766</u>	<u>464 984</u>	<u>584 766</u>	<u>464 984</u>
15. MANAGED CARE – MANAGEMENT SERVICES				
Hospital pre-authorisation	497 236	452 934	497 236	452 934
Oncology protocols	44 541	6 441	44 541	6 441
	<u>541 777</u>	<u>459 375</u>	<u>541 777</u>	<u>459 375</u>
16. ADMINISTRATION EXPENSES				
Staff costs	6 587 583	5 352 385	6 587 583	5 352 385
Principal Officer's remuneration	791 868	468 181	791 868	468 181
Depreciation/Impairment	628 590	770 701	628 590	770 701
Audit fees – Audit services	31 876	105 752	31 876	105 752
Trustees' expenses	113 183	185 034	113 183	185 034
Fidelity insurance	90 073	71 196	90 073	71 196
Medical administration system	3 584 160	3 420 000	3 584 160	3 420 000
Actuary costs	549 486	300 960	549 486	300 960
Bank charges	315 772	311 707	315 772	311 707
Computer expenses	607 964	885 830	607 964	885 830
Printing and stationery	226 069	232 444	226 069	232 444
Other expenses	1 077 668	1 371 308	1 077 668	1 371 308
	<u>14 604 292</u>	<u>13 475 498</u>	<u>14 604 292</u>	<u>13 475 498</u>

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the year ended 31 December 2006 (continued)****ADMINISTRATION EXPENSES (continued)****TRUSTEES' REMUNERATION**

	Fees for meeting attendance	Conference fee	Travelling cost	Total
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
	18 400	12 600	82 183	113 183
2005				
R M Crawford	-	-	18 067	18 067
R W Ketley	-	-	18 067	18 067
S M Brown	-	-	18 067	18 067
L Coetzee	-	-	18 067	18 067
T G Baldwin	10 900	3 900	18 814	33 614
B R Bishop	7 450	3 900	29 398	40 748
J H Britz	-	-	20 337	20 337
S D Martin	-	-	18 067	18 067
	18 350	7 800	158 884	185 034

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

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)**

	<u>Group</u>		<u>Society</u>	
	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>
17. BAD DEBTS				
Members' and service providers' portions	<u>(45 784)</u>	<u>78</u>	<u>(45 784)</u>	<u>78</u>
18. RESULT OF SUBSIDIARY HOLDINGS				
Sales	6 607 357	5 160 378	-	-
Cost of sales	<u>(5 636 822)</u>	<u>(4 412 688)</u>	<u>-</u>	<u>-</u>
Gross profit	970 535	747 690	-	-
Less: Administration expenses	970 535	747 690	-	-
Staff cost	704 772	557 643	-	-
Other cost	265 763	190 047	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The Society provides medicine to its members from their subsidiaries				
19. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES				
Net surplus for the year	45 006 040	59 377 577	45 006 040	59 377 577
Adjusted for:				
Increase in short – term bank deposits	(54 000 000)	(67 000 000)	(54 000 000)	(67 000 000)
Depreciation/Write –offs	677 257	923 003	632 739	770 701
Investment income	(2 279 035)	1 090 708	(2 279 035)	1 090 708
Operating deficit before working capital changes	<u>(10 595 738)</u>	<u>(5 608 712)</u>	<u>(10 640 256)</u>	<u>(5 761 014)</u>

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2006**

	<u>Group</u>		<u>Society</u>	
	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>
20. RELATED PARTY TRANSACTIONS				
Associated employers				
Gross contributions received from Associated employers (note 12)	<u>227 354 250</u>	<u>231 181 825</u>	<u>227 354 250</u>	<u>231 181 825</u>
Subsidiaries				
Medicine supplied	<u>-</u>	<u>-</u>	<u>37 125 929</u>	<u>37 960 530</u>
Key personnel and close Family members				
Pensioner Trustees – attendance fee	31 000	26 150	31 000	26 150
Trustees – contributions	190 946	191 646	190 946	191 646
Trustees – claims	349 863	202 823	349 863	202 823
Principal Officer – remuneration	791 868	468 181	791 868	468 181
Principal Officer – contribution	35 871	37 188	35 871	37 188
Principal Officer – claims	118 647	101 035	118 647	101 035
Other key personnel – Remuneration	1 189 945	1 080 305	1 189 945	1 080 305
Other key personnel – contribution	38 652	37 188	38 652	37 188
Other key personnel – claims	25 026	17 926	25 026	17 926

Associated employers

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

De Beers Consolidated Mines Ltd,
DTC Valuations Namibia (Pty) Ltd,
De Beers Benefit Society,
De Beers Industrial Diamond Division (Pty) Ltd,
De Beers Services (Pty) Ltd,
De Beers Marine (Pty) Ltd,
De Beers Marine Namibia (Pty) Ltd,
De Beers Pension Fund,
Debswana Diamond Company (Pty) Ltd,
Debex (Pty) Ltd,
Namdeb Diamond Corporation (Pty) Ltd

and any other company, organisation of 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.

The above employers have nominated half the Board of Trustee and do not participate in the Society’s financial and operating decisions.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2006****21. PRIOR YEAR ADJUSTMENT**

The Funds and Reserves for 2005 were adjusted for risk transfer amount payable and discount receivable for 2005. The financials statements have been restated to correct this. The Funds and Reserves have been increased by R766 517 which is the amount of adjustment relating to 2005. The effect of the restatement on the 2005 financial statements is summarised below.

Effect on 2005	R
Increase in risk transfer arrangement expenses	(464 985)
Decrease in gross claims	<u>1 231 502</u>
Increase in surplus	<u>766 517</u>

22. CREDIT RISK MANAGEMENT

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.

23. INTEREST RATE MANAGEMENT

The Society is exposed to interest rate risk as it places funds at fixed interest rates.

24. FINANCIAL RISK MANAGEMENT

The Society's activities expose it to a variety of financial risks, including interest rates. The Society's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Society holds to meet its obligations to its members.

Financial risk factors**Currency risk**

The Society operates in South Africa and therefore its cash flows are denominated in South African Rand (ZAR). The Society holds no foreign investments, but is exposed to foreign exchange risk arising from claims incurred affected by currency exposures, primarily with respect to the US Dollar (USD), British Pound (GBP) and the Euro.

Interest rate risk

The Society's investment policy is to hold 100% of all investments in interest bearing instruments. This constitutes that all the Society's investments being exposed to changes in the market interest rates.

The table below summarises the Society's exposure to institutional risk.

Institutions	2006	2005
	R	R
ABSA	86 000 000	78 000 000
Investec	62 500 000	76 500 000
FNB	55 000 000	45 000 000
Nedbank	62 000 000	33 000 000
Standard Bank	41 000 000	20 000 000
	<u>306 500 000</u>	<u>252 500 000</u>

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2006****24. FINANCIAL RISK MANAGEMENT (continued)****Liquidity risk management**

The Society manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves are available.

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 scheme is exposed to the uncertainty surrounding the timing and severity of claims. The Society also has exposure to market risk through its insurance and investment activities.

The scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling 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 cost incurred by members, whilst they are in hospital to receive pre-authorized treatment for certain conditions.
- Chronic benefits cover the cost of 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. TAXATION*Society*

The entity is exempt from tax.

Subsidiaries

No provision was made for taxation, as the subsidiaries have no taxable income for the year. There is no assessed loss carried forward.

26. EVENTS AFTER BALANCE SHEET DATE

A decision was taken by the principle employer subsequent to the balance sheet date to amalgamate certain operations with those of the operations of Alexkor Limited, which is owned by the South African government. It has also been announced that offers will be sought in the process of the disposal of Cullinan Diamond Mine as a going concern, and the disposal of Kimberley Underground Mines as well as a number of residual and dormant tailing resources in and around Kimberley.

27. 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 9) and claims provision (see note 11), that have a significant effect on the amounts recognised in the financial statements.

DE BEERS BENEFIT SOCIETY**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2006****28. RE-ISSUE OF ANNUAL FINANCIAL STATEMENTS**

In accordance with section 38 of the Medical Schemes Act, should the Registrar be of the opinion that the Scheme's annual financial statements do not correctly reflect the revenue and expenditure or the financial position, as the case may be, the Registrar may reject the annual financial statements.

The Registrar has rejected the annual financial statements of the Scheme approved by the Board of Trustees on 13 March 2007. This rejection is based on a different interpretation and application of IFRS to that of the scheme. The Registrar directed that the income statement be amended as follows in order to ensure consistent disclosure across the industry:

	2006 R	2005 R
Net contribution income as previously reported	226 769 484	230 716 841
Reclassified to relevant expenses	<u>584 766</u>	<u>464 984</u>
	<u>227 354 250</u>	<u>231 181 825</u>
Net claims incurred as previously reported	188 328 755	176 078 306
Managed care - management services reclassified as expenses	(541 777)	(459 375)
Claims recoveries from risk transfer arrangement reclassified as expenses	<u>1 541 778</u>	<u>1 469 359</u>
	<u>189 328 756</u>	<u>177 088 290</u>
Expenses as previously reported	15 452 076	13 618 920
Net claims incurred	189 328 756	177 088 290
Claims recoveries from risk transfer arrangement	(1 541 778)	(1 469 359)
Fees expense: Risk transfer arrangement	584 766	464 984
Reclassified from net claims incurred	<u>541 777</u>	<u>459 375</u>
	<u>204 365 597</u>	<u>190 162 210</u>

Managed care: management services were previously reported under Net risk claims incurred. The Registrar is of the view that these fees should not be reported as part of claim expenditure.

There is no change to the surplus or deficit for the year.

These changes required by the Registrar of Medical Schemes are not considered by the Trustees to affect the fair presentation of the annual financial statements in accordance with International Financial Reporting Standards.

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 2006**

	2006			2005		
	TOTALS	Average per member per month	%	TOTALS	Average per member per month	%
INCOME						
Contributions	227 354 250	1 997.91		231 181 825	1 936.59	
Other income	22 017 387	193.48		18 357 962	153.78	
	<u>249 371 637</u>	<u>2 191.39</u>		<u>249 539 787</u>	<u>2 090.37</u>	
EXPENDITURE						
General practitioners	20 305 841	178.44	10.62	18 645 836	156.19	10.36
Specialists	41 018 760	360.46	21.46	38 791 398	324.95	21.56
Dentists	8 572 659	75.33	4.48	8 431 775	70.63	4.69
Dental specialists	1 619 382	14.23	0.85	1 628 671	13.64	0.91
Hospitals	63 147 063	554.91	33.04	60 962 163	510.67	33.89
Medicines	39 689 646	348.78	20.76	37 053 023	310.39	20.60
Supplementary services	6 084 044	53.46	3.18	5 643 446	34.97	3.14
Optometrists	7 420 249	65.21	3.88	5 871 439	49.18	3.26
Homeopaths	92 840	0.82	0.05	92 399	0.77	0.05
Appliances	592 382	5.21	0.31	633 971	5.31	0.35
Physiotherapy	2 607 773	22.92	1.37	2 141 474	17.94	1.19
	<u>191 150 639</u>	<u>1 679.77</u>	<u>100.00</u>	<u>179 895 595</u>	<u>1 506.94</u>	<u>100.00</u>
Ex-gratia payments	778 117	6.84		129 924	1.09	
Claims recovered from risk transfer arrangement	(1 541 778)	(13.54)		(1 469 359)	(12.30)	
Risk transfer arrangement	584 766	5.14		464 984	3.90	
Accrued benefits at 31.12.06	13 400 000	117.75		16 000 000	134.03	
Accrued benefits at 31.12.05	<u>(16 000 000)</u>	<u>(140.60)</u>		<u>(18 937 229)</u>	<u>(158.64)</u>	
TOTAL BENEFITS PAID AND ACCRUED	<u>188 371 744</u>	<u>1 655.36</u>		<u>176 083 915</u>	<u>1 475.02</u>	
Managed care - management services	522 370	4.59		459 375	3.85	
Administration expenses	14 040 893	123.38		12 704 719	106.43	
Post – retirement liability	802 000	7.05		143 500	1.20	
Depreciation	628 590	5.51		770 701	6.46	
TOTAL EXPENDITURE	<u>204 365 597</u>	<u>1 795.89</u>		<u>190 162 210</u>	<u>1 592.96</u>	
EXCESS OF INCOME OVER EXPENDITURE	<u>45 006 040</u>	<u>395.50</u>		<u>59 377 577</u>	<u>497.41</u>	
Balance beginning of year	242 184 378	2 128.23		182 806 801	1 531.35	
Balance at end of year	<u>287 190 418</u>	<u>2 523.73</u>		<u>242 184 378</u>	<u>2 028.76</u>	
Average membership (excluding dependants)		9 483			9 948	

