



A registered medical scheme
Registration no. 29/4/2/1068

ANNUAL REPORT

DE BEERS BENEFIT SOCIETY

31 DECEMBER 2003

BOARD OF TRUSTEES

REPRESENTATIVES OF DE BEERS CONSOLIDATED MINES LTD

Chairman	-	R M Crawford
Vice Chairman	-	R W Ketley
Representatives	-	S M Brown (Appointed 10 March 2004)
	-	L Coetzee
	-	W Endersby (Resigned 10 March 2004)

REPRESENTATIVES OF MEMBERS OF THE SOCIETY

T G Baldwin
J H Britz
D J du Plessis Smith
H P Kerby

REGISTERED ADDRESS

Kimberley House
84 Du Toitspan Road
Kimberley
8301

MANAGER AND PRINCIPAL OFFICER

A Wingreen

AUDITORS

PricewaterhouseCoopers Inc

BANKERS

Standard Bank of South Africa Limited

NOTICE TO MEMBERS

NOTICE IS HEREBY GIVEN THAT THE ONE HUNDRED AND FIFTEENTH ANNUAL GENERAL MEETING OF THE DE BEERS BENEFIT SOCIETY WILL BE HELD IN THE BLUE ROOM, KIMBERLEY COUNTRY CLUB, DICKENSON AVENUE, CASSANDRA, KIMBERLEY ON 29 APRIL 2004 AT 16H30.

1. To approve the minutes of the 114th Annual General Meeting held on 29 April 2003.
2. To receive and consider the Annual Consolidated Financial Statements and the report of the Board of Trustees and of the auditors for the year ended 31 December 2003.
3. Appointment of auditors for the year ending 31 December 2004. The Board of Trustees, on the recommendation of the Society's Audit Committee, propose that PricewaterhouseCoopers be re-appointed as the Society's auditors for 2004.
4. In terms of Rule 18.17, to approve the honorarium of non-employee member elected Trustees at R1 450 per meeting attended.
5. In terms of the rules, the process of electing member Trustees commenced in November 2003. Ten principal members were nominated. The election officer will announce the results of the election at the meeting.

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.

A WINGREEN MANAGER

10 March 2004

84 Du Toitspan Road
KIMBERLEY
8301

PROXY

Should any principal member wish to be represented at the AGM by proxy, they should contact the Society for a proxy form.

Tel: (053) 807-3363
Fax: (053) 807-3499
E-mail: benefitpost@debeersgroup.com

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2003

The Trustees are responsible for the preparation of the consolidated financial statements of the De Beers Benefit Society and to ensure that proper systems of internal control are employed by or on behalf of the Society. In presenting the consolidated financial statements set out on pages 6 to 18, generally accepted accounting practice has been followed, appropriate accounting policies have been used, while prudent judgements and estimates have been made.

The financial statements have been prepared on the going concern basis, as the Trustees have no reason to believe that the Society will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The consolidated financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers Inc., Chartered Accountants (SA), which was given unrestricted access to all financial records and related data, including minutes of all meetings of members, the Board of Trustees and Committees of the Board. The Trustees believe that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers Inc., Chartered Accountants (SA)'s audit report is presented on page 19 of the consolidated financial statements.

The financial statements were approved by the Board of Trustees on 10 March 2004 and are signed on its behalf by:

RM CRAWFORD
CHAIRMAN

RW KETLEY
TRUSTEE

A WINGREEN
PRINCIPAL OFFICER

REPORT OF THE BOARD OF TRUSTEES

31 DECEMBER 2003

The Board of Trustees has pleasure in submitting its one hundred and fifteenth annual report for the year ended 31 December 2003. This report also comprises the report of the Principal Officer as required by the Medical Schemes Act, 1998 as amended.

FINANCIAL RESULTS FOR THE YEAR UNDER REVIEW

The Society reflected a surplus from operations of R26 504 505 (2002: R6 909 961 surplus) and a net surplus for the year of R43 298 961 (2002: R18 116 958) after incorporating investment income.

The Society's reserves have grown to R145 403 870 (2002: R102 104 909) as a result of the Trustees prudent policy over the past years of building a financially stable Society. It is important to adhere to this policy, as this will ensure that the Society is in a position to meet the changes taking place in the healthcare industry and the anticipated ageing of the Society's membership profile.

The solvency ratio of the Society at end December 2003 was 72% (2002: 65%) compared to the minimum prescribed ratio of 25%. This ratio can be expressed as 8.7 months cover (2002: 7.8 months cover), compared to the prescribed minimum cover of 3 months.

Of total benefits paid in 2003, Hospitals comprised 36% (2002: 34%), Medicines 21% (2002: 21%), Specialists 20% (2002: 22%), General Practitioners 11% (2002: 11%), Dentists and Dental Specialists 6% (2002: 6%) and other benefit types 6% (2002: 6%).

SUBSEQUENT EVENTS

No events have occurred subsequent to the end of the accounting period affecting the annual financial report that the Trustees consider should be brought to your attention.

MEMBERSHIP

Membership at the year-end was 10 207 (2002: 9 681) working and pensioner members and 16 512 (2002: 16 190) dependants, totalling 26 719 (2002: 25 871) beneficiaries.

BOARD OF TRUSTEES

There were no changes to the Board of Trustees during the year. The current member elected Trustees complete their three year term of office in April 2004

NEW ADMINISTRATION SYSTEM

The new administration system, launched in January 2002, has greatly assisted management towards its stated vision of being the service provider of choice through personalised customer care and service excellence. The launch of the web-site enables members interactively to access all their details relating to their membership and claims. Members as well as service providers can register on-line and enjoy the benefits of the web-site.

BHF MEDICAL FRAUD UNIT

The Society joined the newly formed Board of Healthcare Funders (BHF) fraud unit on 1 October 2003. All medical schemes have been requested to participate in this initiative to combat rising medical aid fraud and abuse, estimated at between 10% and 20% of claims per annum, or between R4 billion and R8 billion industry wide for 2003.

REPORT OF THE BOARD OF TRUSTEES (continued)

31 DECEMBER 2003

HOSPITAL MEDI-CLINIC GROUP (PREFERRED PROVIDER)

Following the Competition Commissioner's ruling that the tariff negotiations between the Board of Healthcare Funders (BHF) and the Hospital Association of South Africa (HASA) was an unlawful practice, the Society established a network of hospitals consisting primarily of Medi-Clinic hospitals. The Trustees are continually evaluating the network to ensure that there is adequate coverage for all members of the Society.

RISK MANAGEMENT

The Health Monitor Company has been contracted to provide an actuarial, stochastic (multi-simulation), computer-based risk management model specifically designed and developed, to provide continuous modelling and monitoring of the financial and other risks facing the scheme.

ACCESS TO INFORMATION ACT

Management submitted a manual to both the Human Rights Commission and the Government Printer for inclusion in the Government Gazette as required in terms of the Act.

AUDITORS

In terms of Rule 25.1, the members appointed PricewaterhouseCoopers Inc. as the Society's auditors for 2003.

AUDIT COMMITTEE

The audit 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 which two are members of the Board of Trustees. The majority of the members, including the chairman, are not officers of the Society. The committee meets at least twice per annum.

The Trustees of the Society, the manager and the external auditors have unrestricted access to the chairman of the committee.

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 and internal auditors formally report to the committee on critical findings arising from audit activities.

The committee presently comprises:

R W Ketley (Chairman)

A S Dickens

T G Baldwin

S M Brown

W D Martin

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2003

NOTES	Group		Society	
	2003	2002	2003	2002
	R	R	R	R
ASSETS				
Non-current assets	3 719 214	4 542 462	5 377 468	5 336 622
Equipment	2 021 130	2 664 202	1 905 178	2 523 688
Non-current receivables	1 698 084	1 878 260	3 472 090	2 812 734
Investment in subsidiary	-	-	200	200
Current assets	179 425 016	129 085 375	175 940 181	128 212 899
Inventory	1 693 797	1 446 923	-	-
Accounts receivable	9 460 980	6 429 671	7 670 875	6 995 787
Short-term bank deposits	148 200 748	93 414 632	148 200 748	93 414 632
Cash and cash equivalents	20 069 491	27 794 149	20 068 558	27 802 480
Total assets	183 144 230	133 627 837	181 317 649	133 549 521
FUNDS AND LIABILITIES				
Members' Funds	145 403 870	102 104 909	145 403 870	102 104 909
Accumulated Funds	145 403 870	102 104 909	145 403 870	102 104 909
Current liabilities	37 740 360	31 522 928	35 913 779	31 444 612
Accounts payable	19 213 161	16 096 042	17 386 580	16 017 726
Outstanding claims provision	18 527 199	15 426 886	18 527 199	15 426 886
Total funds and liabilities	183 144 230	133 627 837	181 317 649	133 549 521

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED
31 DECEMBER 2003

	NOTES	Group		Society	
		2003	2002	2003	2002
		R	R	R	R
Gross contributions		200 792 467	157 413 389	200 792 467	157 413 389
Net claims incurred	10	(160 522 548)	(137 947 182)	(160 522 548)	(137 947 182)
Gross underwriting		40 269 919	19 466 207	40 269 919	19 466 207
Sales	1.10	20 470 815	17 143 376	-	-
Cost of sales		(17 977 316)	(14 967 238)	-	-
Gross income		42 763 418	21 642 345	40 269 919	19 466 207
Administration and operating expenses	11	(15 369 229)	(13 649 166)	(12 875 730)	(11 473 028)
Managed care - management services	12	(885 784)	(1 079 020)	(885 784)	(1 079 020)
Net under writing including operating result of subsidiary		26 508 405	6 914 159	26 508 405	6 914 159
Bad debts	13	(3 900)	(4 198)	(3 900)	(4 198)
Surplus from operations		26 504 505	6 909 961	26 504 505	6 909 961
Investment income	14	16 794 456	11 206 997	16 794 456	11 206 997
Net surplus for the year		43 298 961	18 116 958	43 298 961	18 116 958

CONSOLIDATED STATEMENT OF CHANGES IN FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2003

SOCIETY AND GROUP	<u>2003</u> R <u>Accumulated</u> <u>Funds</u>	<u>2002</u> R <u>Accumulated</u> <u>Funds</u>
Balance at beginning of the year	102 104 909	83 987 951
Net Surplus for the year	43 298 961	18 116 958
Balance at end of the year	<u>145 403 870</u>	<u>102 104 909</u>

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>NOTES</u>	<u>Group</u>		<u>Society</u>	
		<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
		<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
CASH FLOW FROM OPERATING ACTIVITIES		47 037 488	23 129 866	47 828 325	22 707 023
Cash received from members and employers		218 231 973	171 300 922	200 117 379	154 414 484
Cash paid to members and suppliers		(187 988 941)	(159 591 057)	(169 083 510)	(143 127 462)
Cash generated by operating activities	15	30 243 032	11 709 865	31 033 869	11 287 022
Investment income		16 794 456	11 420 001	16 794 456	11 420 001
CASH UTILISED IN INVESTING ACTIVITIES		(54 762 146)	(36 644 010)	(55 562 247)	(36 211 705)
Cash utilised to purchase equipment		(156 206)	(140 015)	(116 775)	(71 122)
(Increase)/decrease in non-current receivables		180 176	(503 995)	(659 356)	(140 583)
Increase in short-term bank deposits		(54 786 116)	(36 000 000)	(54 786 116)	(36 000 000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7 724 658)	(13 514 144)	(7 733 922)	(13 504 682)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		27 794 149	41 308 293	27 802 480	41 307 162
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	20 069 491	27 794 149	20 068 558	27 802 480

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

I. ACCOUNTING POLICIES

The following are the principle accounting policies used by the Society, which are consistent with those of the previous year, except for as indicated below:

I.1 Basis of preparation

The annual consolidated financial statements are prepared on the historical cost basis.

I.2 Equipment and depreciation

Equipment is reflected at historical cost less accumulated depreciation. Depreciation is charged on the straight-line basis over the estimated useful lives of equipment. The estimated maximum useful lives of equipment are:

Computer equipment - new medical administration system	5 years
Computer equipment and software	3 years
Other equipment	10 years

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income.

Directly attributable costs associated with the acquisition, development and installation of software are capitalised. Such assets are depreciated using the amortisation methods and periods applicable to computer equipment.

I.3 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables originated by the Society are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Gains and losses on subsequent measurement

Gains and losses arising from a change in fair value are recognised in net profit or loss for the period in which the change arises.

1.4 Consolidation

Subsidiary 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 power to exercise control over the 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 except as disclosed in note 1.10. Separate disclosure is made of minority interests.

1.5 Inventories

Inventories comprise medicines and pharmaceutical supplies utilised by the subsidiary. The cost of inventories comprises all cost of purchase, costs of conversion 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 value.

1.6 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

The outstanding claims provision is a provision made for the estimated cost of healthcare benefits that have occurred before the year-end, but that have not been reported to the Society by that date. This provision is determined as accurately as possible based on a number of factors, which include previous experience in claims patterns, claims settlement patterns, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim.

1.7 Interest

Interest is recognised on a time proportion 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.

1.8 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

1.9 Contributions

Gross contributions are brought to account on the accrual basis.

1.10 Sales

Sales comprise the invoiced value of goods sold by the Society's subsidiary excluding Value Added Tax.

Included in sales are amounts paid by the Society to its subsidiary that presents claims paid on behalf of the Society's members and are therefore included under net claims incurred. For presentation purposes these amounts have not been eliminated on consolidation.

1.11 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.

1.12 Managed care - management services

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

2. EQUIPMENT - GROUP

	<u>Furniture, fittings and equipment</u>	<u>Vehicles</u>	<u>Computer equipment</u>	<u>Computer software</u>	<u>Total</u>
2003	R	R	R	R	R
Cost	386 270	14 828	2 499 688	2 051 606	4 952 392
Opening balance	334 130	14 828	2 466 130	1 981 098	4 796 186
Additions (Net of write-offs)	52 140	-	33 558	70 508	156 206
Accumulated depreciation	217 654	14 827	1 674 203	1 024 578	2 931 262
Opening balance	173 877	14 827	1 286 013	657 267	2 131 984
Depreciation for the year (Net of write-offs)	43 777	-	388 190	367 311	799 278
NET BOOK VALUE	168 616	1	825 485	1 027 028	2 021 130

	<u>Furniture, fittings and equipment</u>	<u>Vehicles</u>	<u>Computer equipment</u>	<u>Computer software</u>	<u>Total</u>
2002	R	R	R	R	R
Cost	334 130	14 828	2 466 130	1 981 098	4 796 186
Opening balance	296 029	14 828	2 376 957	1 968 357	4 656 171
Additions	38 101	-	89 173	12 741	140 015
Accumulated depreciation	173 877	14 827	1 286 013	657 267	2 131 984
Opening balance	138 199	11 864	702 725	312 480	1 165 268
Depreciation for the year	35 678	2 963	583 288	344 787	966 716
NET BOOK VALUE	160 253	1	1 180 117	1 323 831	2 664 202

2. EQUIPMENT - SOCIETY

	<u>Furniture, fittings and equipment</u>	<u>Computer equipment</u>	<u>Computer software</u>	<u>Total</u>
2003	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Cost	218 950	2 307 421	1 991 710	4 518 081
Opening balance	197 613	2 266 159	1 937 534	4 401 306
Additions	21 337	41 262	54 176	116 775
Accumulated depreciation	103 842	1 521 819	987 242	2 612 903
Opening balance	83 854	1 161 675	632 089	1 877 618
Depreciation for the year	19 988	360 144	355 153	735 285
NET BOOK VALUE	<u>115 108</u>	<u>785 602</u>	<u>1 004 468</u>	<u>1 905 178</u>

	<u>Furniture, fittings and equipment</u>	<u>Computer equipment</u>	<u>Computer software</u>	<u>Total</u>
2002	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Cost	197 613	2 266 159	1 937 534	4 401 306
Opening balance	180 907	2 211 743	1 937 534	4 330 184
Additions	16 706	54 416	-	71 122
Accumulated depreciation	83 854	1 161 675	632 089	1 877 618
Opening balance	66 036	626 790	292 925	985 751
Depreciation for the year	17 818	534 885	339 164	891 867
NET BOOK VALUE	<u>113 759</u>	<u>1 104 484</u>	<u>1 305 445</u>	<u>2 523 688</u>

	<u>Group</u>		<u>Society</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
3. NON-CURRENT RECEIVABLES				
Long term loans rendered				
Benefit Society Dispensary (Proprietary) Limited	-	-	1 774 006	934 474
Hobbes and Associates Incorporated	1 698 084	1 878 260	1 698 084	1 878 260
	<u>1 698 084</u>	<u>1 878 260</u>	<u>3 472 090</u>	<u>2 812 734</u>

The loans are made to service the financial needs of the dispensaries. They are interest free and no terms of repayment are specified.

These loans are represented by the fair values of the underlying assets of the dispensaries.

	Group		Society	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
4. INVESTMENTS IN SUBSIDIARY				
Unlisted Benefit Society Dispensary (Proprietary) Limited 100 ordinary shares of R2 each at cost	-	-	200	200

5. ACCOUNTS RECEIVABLE

Recoveries from members for co-payments	6 017 332	3 378 283	4 574 737	3 378 283
Third party insurance claims	2 596 374	1 873 181	2 596 374	1 873 181
Other receivables	847 274	1 178 207	489 587	679 765
Indebtedness by subsidiary	-	-	10 177	1 064 558
	<u>9 460 980</u>	<u>6 429 671</u>	<u>7 670 875</u>	<u>6 995 787</u>

At 31 December 2003 the carrying amounts of accounts receivable approximate their fair values due to the short-term maturities of these assets.

6. SHORT-TERM BANK DEPOSITS

The short-term bank deposits comprise fixed deposits held at the four A-grade banks in South Africa. These deposits have a maturity date of less than one year, bear interest at rates between 7,60% and 10,61% (2002: 11,45% and 13,41%) and their carrying values at 31 December 2003 approximate their fair values due to the short-term maturities of these deposits.

	Group		Society	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
7. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consists of:				
Call accounts	-	24 804 836	-	24 804 836
Current accounts	20 068 391	2 988 213	20 068 458	2 997 544
Cash on hand	1 100	1 100	100	100
	<u>20 069 491</u>	<u>27 794 149</u>	<u>20 068 558</u>	<u>27 802 480</u>

At 31 December 2003 the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

	Group		Society	
	2003 R	2002 R	2003 R	2002 R
8. ACCOUNTS PAYABLE				
Contributions received in advance	13 370 259	12 806 594	13 370 259	12 806 594
Sundry accounts payable	5 842 902	3 289 448	4 016 321	3 211 132
	<u>19 213 161</u>	<u>16 096 042</u>	<u>17 386 580</u>	<u>16 017 726</u>
At 31 December 2003 the carrying amounts of accounts payable approximate their fair values due to the short-term maturities of these liabilities.				
9. OUTSTANDING CLAIMS PROVISION				
Balance at beginning of the year	15 426 886	12 757 442	15 426 886	12 757 442
Payments in respect of prior year	(11 775 410)	(9 572 189)	(11 775 410)	(9 572 189)
Over provision in respect of prior year	3 651 476	3 185 253	3 651 476	3 185 253
Adjustment for current year	14 875 723	12 241 633	14 875 723	12 241 633
Balance at end of year	<u>18 527 199</u>	<u>15 426 886</u>	<u>18 527 199</u>	<u>15 426 886</u>
10. NET CLAIMS INCURRED				
Gross claims paid and reported	146 364 616	126 344 728	146 364 616	126 344 728
Less:				
Discount received on claims	(717 791)	(639 179)	(717 791)	(639 179)
	<u>145 646 825</u>	<u>125 705 549</u>	<u>145 646 825</u>	<u>125 705 549</u>
Add:				
Adjustment for outstanding claims provision (note 9)	14 875 723	12 241 633	14 875 723	12 241 633
	<u>160 522 548</u>	<u>137 947 182</u>	<u>160 522 548</u>	<u>137 947 182</u>
11. ADMINISTRATION EXPENSES/ OPERATING COSTS				
Staff costs	6 566 126	5 692 724	5 700 324	4 744 497
Depreciation	799 278	966 716	735 285	891 867
Audit fees - Audit services	94 165	112 282	83 869	102 282
Trustees' expenses				
- Services as Trustees	10 360	9 040	10 360	9 040
- Expenses	31 652	32 383	31 652	32 383
- Training and other	180 109	91 200	180 109	91 200
Medical administration system	3 061 286	2 969 759	3 061 286	2 969 759
Directors' emoluments for management services	931 074	742 015	-	-
Other expenses	3 695 179	3 033 047	3 072 845	2 632 000
	<u>15 369 229</u>	<u>13 649 166</u>	<u>12 875 730</u>	<u>11 473 028</u>

	Group		Society	
	2003	2002	2003	2002
	R	R	R	R
12. MANAGED CARE - MANAGEMENT SERVICES				
Chronic medication and hospital pre-authorisation	<u>885 784</u>	<u>1 079 020</u>	<u>885 784</u>	<u>1 079 020</u>
13. BAD DEBTS				
Members' and service providers' portions	<u>3 900</u>	<u>4 198</u>	<u>3 900</u>	<u>4 198</u>
14. INVESTMENT INCOME				
Interest from short-term bank deposits and bank balances	<u>16 794 456</u>	<u>11 206 997</u>	<u>16 794 456</u>	<u>11 206 997</u>
15. RECONCILIATION OF NET SURPLUS TO CASH GENERATED BY OPERATING ACTIVITIES				
Net surplus for the year	43 298 961	18 116 958	43 298 961	18 116 958
Adjustments for:				
Depreciation	799 278	966 716	735 285	891 867
Investment income	<u>(16 794 456)</u>	<u>(11 206 997)</u>	<u>(16 794 456)</u>	<u>(11 206 997)</u>
Operating surplus before working capital changes	27 303 783	7 876 677	27 239 790	7 801 828
Working capital changes				
Increase in accounts receivable	(3 031 309)	(628 023)	(675 088)	(169 998)
Increase in inventory	(246 874)	(307 417)	-	-
Increase in accounts payable	<u>6 217 432</u>	<u>4 768 628</u>	<u>4 469 167</u>	<u>3 655 192</u>
Cash generated from operations	<u>30 243 032</u>	<u>11 709 865</u>	<u>31 033 869</u>	<u>11 287 022</u>

16. CREDIT RISK MANAGEMENT

The Society's credit risk is primarily attributable to amounts receivable in respect of members' co-payments and third party insurance claims. 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.

17. RELATED PARTY TRANSACTIONS

The Society has rendered a loan and credit facilities to Hobbes and Associates Incorporated, a company that operates dispensaries in Cullinan, Kleinzee and Lime Acres to serve a large number of members resident in these areas.

The carrying value of the indebtedness by Hobbes & Associates Incorporated at 31 December 2003 was:

Long term loan rendered

Society

2003 **2002**

R **R**

1 698 084 1 878 260

Accounts receivable

329 476 609 703

A related party relationship also exists between the Society and De Beers Consolidated Mines Limited, as 50% of the Board of Trustees are company representatives. De Beers Consolidated Mines Limited contributes monthly contributions to the Society on behalf of its members.

18. INTEREST RATE MANAGEMENT

The Society is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate placing within market expectations.

19. LIQUIDITY RISK MANAGEMENT

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

REPORT OF THE INDEPENDENT AUDITORS

31 DECEMBER 2003

To the members of De Beers Benefit Society

Introduction

We have audited the consolidated financial statements, set out on pages 6 to 18, for the year ended 31 December 2003. These consolidated financial statements are the responsibility of the Board of Trustees. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall consolidated financial statement presentation.

We consider that our audit provided a reasonable basis for our opinion.

Opinion

In our opinion the consolidated financial statements fairly present, in all material respects, the financial position of De Beers Benefit Society at 31 December 2003 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice and in the manner required by the Medical Schemes Act, 1998.

Supplementary information

The report, declaration and schedule set out on pages 3 to 5 and 19 do not form part of the audited consolidated financial statements. We have not audited this information and accordingly we do not express our opinion on it.



**PRICEWATERHOUSECOOPERS INCORPORATED
CHARTERED ACCOUNTANTS (SA)
REGISTERED ACCOUNTANTS AND AUDITORS
KIMBERLEY**

10 March 2004

DE BEERS BENEFIT SOCIETY

MINUTES OF THE ONE HUNDRED AND FOURTEENTH ANNUAL GENERAL MEETING OF MEMBERS HELD IN THE BLUE ROOM, DE BEERS COUNTRY CLUB, KIMBERLEY ON 29 APRIL 2003

CHAIRMAN

Mr R W Ketley the vice-chairman of the Society presided.

QUORUM

The necessary quorum being present, the meeting was declared properly constituted.

NOTICE OF MEETING

It was agreed that the notice convening the meeting be taken as read.

APOLOGIES

Apologies were received from:

Mr R M Crawford, H P Kerby, J H Britz, D Haage, L Loock Snr and L Loock Jnr

MINUTES

The minutes of the 113th Annual General Meeting held on 19 April 2002 were approved.

REPORTS AND ACCOUNT

It was resolved that the report of the Board of Trustees and statements of account and the auditor's report for the year ended 31 December 2002, be taken as read.

The Chairman then proposed that the report of the Board of Trustees and the annual financial statements of the Society for the year ended 31 December 2002 be approved and adopted and that all matters and things undertaken and discharged by the Trustees on behalf of the Society be confirmed. The motion was carried unanimously.

APPOINTMENT OF AUDITORS

As only one nomination for auditor had been received, it was unanimously resolved that PricewaterhouseCoopers be appointed as the Society's auditors for the ensuing year.