



ANNUAL REPORT

DE BEERS BENEFIT SOCIETY

31 DECEMBER 2005

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

BOARD OF TRUSTEES

REPRESENTATIVES OF DE BEERS GROUP SERVICES (PROPRIETARY) LIMITED AND
ASSOCIATED EMPLOYERS

Chairman	-	R M Crawford
Vice-Chairman	-	R W Ketley
Representatives	-	L Coetzee
	-	S E O Dietrich (appointed 27 January 2006)
	-	S M Brown (resigned 26 January 2006)

REPRESENTATIVES OF MEMBERS OF THE SOCIETY

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

PRINCIPAL EXECUTIVE OFFICER / MANAGER

A Wingreen
7 McClintock Street
Monument Heights
Kimberley
8301

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

INVESTMENT MANAGERS DURING THE YEAR

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

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DE BEERS BENEFIT SOCIETY

NOTICE TO MEMBERS

NOTICE IS HEREBY GIVEN THAT THE ONE HUNDRED AND SEVENTEENTH ANNUAL GENERAL MEETING OF THE DE BEERS BENEFIT SOCIETY WILL BE HELD AT 36 STOCKDALE STREET, KIMBERLEY ON 25 APRIL 2006 AT 16H30.

1. To approve the minutes of the 116th Annual General Meeting held on 25 April 2005.
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 2005.
3. Appointment of auditors for the year ending 31 December 2006. 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 2006.
4. In terms of Rule 18.18, to approve the honorarium of non-employee member elected Trustees at R2 100.00 per meeting attended.

PROXY

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

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

By order of the Board of Trustees.

**A WINGREEN
MANAGER**

14 March 2006

84 Du Toitspan Road
KIMBERLEY
8301

DE BEERS BENEFIT SOCIETY

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

FOR THE YEAR ENDED 31 DECEMBER 2005

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 10 to 32 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 group which enables the Trustees to ensure that the annual financial statements comply with the relevant legislation.

De Beers Benefit Society operated in a well-established control environment, which is well 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 representatives nominated by the employer companies and four representatives 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 7.

The financial statements were approved by the Board of Trustees on 14 March 2006 and are signed on its behalf by:

R M CRAWFORD
CHAIRMAN

RW KETLEY
TRUSTEE

A WINGREEN
PRINCIPAL EXECUTIVE OFFICER

14 March 2006

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. The Trustees are proposed and elected by the members of the Society and the employers.

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 items, policy, strategy and performance is critical, informed and constructive.

All Trustees have access to the advice and services of the Principal Executive 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

A WINGREEN
PRINCIPAL EXECUTIVE OFFICER

14 March 2006

DE BEERS BENEFIT SOCIETY

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

We have audited the financial statements of De Beers Benefit Society and its subsidiaries that are set out on pages 10 to 32, for the year ended 31 December 2005. These financial statements are the responsibility of the Trustees. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Society and the group at 31 December 2005 and the results of their operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on pages 5 to 6 and 8 to 9 do not form part of the financial statements or consolidated financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on them.



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

14 March 2006

DE BEERS BENEFIT SOCIETY

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees has pleasure in submitting its one hundred and seventeenth annual report for the year ended 31 December 2005.

Financial results for the year under review

The Society and group reflected a surplus from operations of R40 253 098 (2004: R21 392 148) and a net surplus for the year of R58 611 060 (2004: R37 402 931) after incorporating investment income.

The Society and group's reserves have grown to R241 417 861 (2004: R182 806 801). The solvency ratio of the Society at end December 2005 was 104% (2004: 84%). This ratio can be expressed as 12.5 months cover (2004: 10.1 months cover), compared to the prescribed minimum cover of 3 months.

The Board of Trustees are cognisant of the fact that the Scheme's contingency reserve (solvency ratio) is substantially higher than the minimum required by law. 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 with the increased age profile of the membership.

Of total benefits paid in 2005, Hospitals comprised 35% (2004: 36%), Medicines 21% (2004: 20%), Specialists 22% (2004: 21%), General Practitioners 10% (2004: 11%), Dentists and Dental Specialists 6% (2004: 5%) and other benefit types 6% (2004: 7%).

Legislative changes

The past year was one of uncertainty particularly in respect of the changes within the pharmaceutical industry. This has required constant monitoring and actions by the Board in order to ensure that members were not significantly affected by these changes.

External service providers

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

During 2005 oncology protocols developed by the South African Oncology Consortium were included into existing chronic medicine protocols. This will ensure that the appropriate benefits are benchmarked against evidence-based medicine and conform to industry practice.

Operational statistics

	2005		2004	
	Members	Beneficiaries	Members	Beneficiaries
Membership at 1 January	10,126	26,229	10 207	26 719
Movement for the year	(356)	(1 136)	(81)	(490)
Membership at 31 December	<u>9 770</u>	<u>25 093</u>	10 126	26 229
Average number of members/beneficiaries for the accounting period	9 948	25 661	10 167	26 474
Average age of beneficiaries for the accounting period		33		32
Pensioner ratio		20.75%		18.82%

DE BEERS BENEFIT SOCIETY

REPORT OF THE BOARD OF TRUSTEES (continued)

	2005		2004	
	Members	Beneficiaries	Members	Beneficiaries
Average per member/beneficiary per month				
<u>Income</u>				
Gross Contributions	1 937	751	1 785	686
Other income	154	60	131	50
Total income	<u>2 091</u>	<u>811</u>	<u>1 916</u>	<u>736</u>
<u>Expenses</u>				
Total benefits paid and accrued	1 482	574	1 460	560
Managed care – management services	4	2	7	3
Administration expenses	113	44	110	43
Post retirement medical expenses	1	-	33	13
Total expenditure	<u>1 600</u>	<u>620</u>	<u>1 610</u>	<u>619</u>
Excess of income over expenditure	<u>491</u>	<u>191</u>	<u>306</u>	<u>117</u>
Average accumulated funds per member				
Accumulative funds at 31 December	<u>24 268</u>		<u>17 980</u>	

Auditors

In terms of Rule 25.1, the members appointed PricewaterhouseCoopers Incorporated as the Society's auditors for 2005.

Post balance sheet 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.

Audit committee

An audit committee is in existence 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 which two are members of the Board of Trustees. The members are not officers of the Society. The committee met on two occasions during the course of the year and these meetings were attended by all members, except for Mr AS Dickens who attended one meeting.

The Principal Executive 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.

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 committee presently comprises:

R W Ketley (Chairman)

A S Dickens

T G Baldwin

S M Brown

I N Scheepers

DE BEERS BENEFIT SOCIETY

BALANCE SHEETS

AT 31 DECEMBER 2005

	Notes	Group		Society	
		2005 R	2004 R	2005 R	2004 R
ASSETS					
Non-current assets		864 275	1 549 863	801 778	1 369 983
Tangible assets		522 891	860 468	463 526	701 332
Intangible assets		341 384	689 395	338 049	668 448
Tangible and intangible assets	2	864 275	1 549 863	801 575	1 369 780
Investment in subsidiaries	3	-	-	203	203
Current assets		286 409 777	229 337 116	284 028 006	226 065 825
Inventories	4	3 333 193	3 553 004	-	-
Amounts receivable from related parties	5	-	-	1 799 839	1 917 905
Trade and other receivables	6	3 522 810	4 285 332	2 632 379	2 626 275
Held-to-maturity: Short-term bank deposits	7	262 266 910	196 357 618	262 266 910	196 357 618
Cash and cash equivalents	8	17 286 864	25 141 162	17 328 878	25 164 027
Total assets		287 274 052	230 886 979	284 829 784	227 435 808
FUNDS AND LIABILITIES					
Members' funds		241 417 861	182 806 801	241 417 861	182 806 801
Accumulated funds		241 417 861	182 806 801	241 417 861	182 806 801
Current liabilities		45 856 191	48 080 178	43 411 923	44 629 007
Trade and other payables	9	24 956 691	24 386 949	22 512 423	20 935 778
Post retirement liability	10	4 899 500	4 756 000	4 899 500	4 756 000
Outstanding claims provision	11	16 000 000	18 937 229	16 000 000	18 937 229
Total funds and liabilities		287 274 052	230 886 979	284 829 784	227 435 808

DE BEERS BENEFIT SOCIETY

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

		Group		Society	
	<u>Notes</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
		<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Continuing operations					
Gross contributions	12	231 181 825	217 789 726	231 181 825	217 789 726
Net claims incurred	13	(176 850 432)	(177 977 575)	(176 850 432)	(177 977 575)
		<u>54 331 393</u>	<u>39 812 151</u>	<u>54 331 393</u>	<u>39 812 151</u>
Managed care - management services	14	(459 375)	(850 582)	(459 375)	(850 582)
Administration expenses	15	(13 475 498)	(12 811 497)	(13 475 498)	(12 811 497)
Post retirement medical expense	10	(143 500)	(4 756 000)	(143 500)	(4 756 000)
Investment income	16	18 357 962	16 010 783	18 357 962	16 010 783
Result of own facility operations	17	-	-	-	-
Bad debts	18	<u>78</u>	<u>(1 924)</u>	<u>78</u>	<u>(1 924)</u>
Surplus for the year		<u><u>58 611 060</u></u>	<u><u>37 402 931</u></u>	<u><u>58 611 060</u></u>	<u><u>37 402 931</u></u>

DE BEERS BENEFIT SOCIETY

STATEMENT OF CHANGES IN FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2005

SOCIETY AND GROUP	<u>Notes</u>	<u>2005</u>	<u>2004</u>
		<u>R</u>	<u>R</u>
		<u>Accumulated</u> <u>funds</u>	<u>Accumulated</u> <u>funds</u>
Balance at beginning of the year		182 806 801	145 403 870
Effect of first time adoption of IFRS		-	-
Surplus for the year		<u>58 611 060</u>	<u>37 402 931</u>
Balance at end of the year		<u><u>241 417 861</u></u>	<u><u>182 806 801</u></u>

DE BEERS BENEFIT SOCIETY
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

		Group		Society	
	Notes	2005	2004	2005	2004
		R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES					
Cash flows from operations before working capital changes	19	41 176 101	22 427 652	41 023 799	22 098 780
Working capital changes					
Decrease/(increase) in inventories		219 811	(1 859 207)	-	-
Decrease in receivables from related parties		-	1 698 084	118 066	1 554 185
Decrease/(increase) in trade and other receivables		762 522	2 579 274	(6 104)	2 448 226
Increase in trade and other payables		713 242	9 929 788	1 720 145	8 305 198
(Decrease)/increase in outstanding claims provision		(2 937 229)	3 006 404	(2 937 229)	3 006 404
Net cash from operating activities		<u>39 934 447</u>	<u>37 781 995</u>	<u>39 918 677</u>	<u>37 412 793</u>
Cash flows (to)/from investing activities					
Purchase of equipment		(237 415)	(564 237)	(202 496)	(171 234)
Increase in short- term bank deposits		(67 000 000)	(42 500 000)	(67 000 000)	(42 500 000)
Increase in investment		-	-	-	(3)
Interest received		19 448 670	10 353 913	19 448 670	10 353 913
Net cash to investing activities		<u>(47 788 745)</u>	<u>(32 710 324)</u>	<u>(47 753 826)</u>	<u>(32 317 324)</u>
Net (decrease)/increase in cash and cash equivalents		(7 854 298)	5 071 671	(7 835 149)	5 095 469
Cash and cash equivalents at beginning of period		25 141 162	20 069 491	25 164 027	20 068 558
Cash and cash equivalents at the end of the year	8	<u>17 286 864</u>	<u>25 141 162</u>	<u>17 328 878</u>	<u>25 164 027</u>

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2005

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

1.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards on the historical cost basis, except for available-for-sale investments, investments held at fair value through the income statement, which are carried at fair value.

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.

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 items of tangible and intangible assets are:

Tangible assets

Computer equipment	2 – 5 years
Office equipment	3 – 8 years
Furniture and fittings	10 – 15 years

Intangible assets

Computer software	2 – 5 years
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The useful lives and residual values are assessed annually.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Scheme and the cost of the item can be measured reliably. All other maintenance and repairs 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.

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2005 (continued)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

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, 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 (current value less incurred to sell) value.

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 only has short term fixed deposits and investments in subsidiaries.

Measurement

Financial instruments are initially measured at fair value plus, in the case of financial assets and liabilities not at fair value through the income statement, 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.

Investments

Investments with a fixed maturity date less than a year that the 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 stated at cost less provision for doubtful debts. Permanent impairments are written off to the income statement when identified.

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2005 (continued)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.5 Financial instruments (continued)

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

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

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 and related internal and external claims handling expenses. 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.

1.7 Insurance contracts

Insurance contracts

Contracts under which the Society accepts significant insurance risk from another party (the member) 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.

Reinsurance cover

Contracts entered into by the Society with the re-insurers or service providers (e.g. hospital group) under which the Society is compensated for losses or a fixed fee on one or more contracts issued by the Society and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

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.

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.

No provision for anticipated recoveries under risk transfer arrangements are disclosed, because no such agreements exist.

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2005 (continued)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.8 Liabilities and related assets under liability adequacy test

The liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, and comparing this amount to the carrying value of the liability net of any related assets (i.e. the value of business acquired ("VOBA") or deferred acquisition costs ("DAC")). Where a shortfall is identified, the Society recognises the deficiency in income for the year, initially by writing off VOBA and by subsequently raising an additional provision for losses arising from liability adequacy tests (the unexpired risk provision).

1.9 Own facility

Revenue

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 net of discounts and sales related taxes.

Surplus/deficit

The surplus or deficit on own facilities represents this income less the cost incurred in operating these facilities primarily for the Society's members. Benefits relating to services rendered by the own facility for the Society's members are reflected as part of claims incurred.

1.10 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.

1.11 Employee benefits

Post retirement benefits

The Society provides a defined pension fund for its employees. Contributions to the defined pension fund are recognised in the net surplus or deficit for the year in which they are incurred.

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.

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2005 (continued)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.12 Impairment losses

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. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of the Society's investments in held-to-maturity fixed term deposits at fair value.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Transition to international financial reporting standard

For the year ended 31 December 2004, the Society prepared its financial statements under statements of South African Generally Accepted Accounting Practice ("SA GAAP"). In accordance with the Council for Medical Scheme's decision as detailed in Circular 59/2005, the Society is required to prepare its financial statements in accordance with IFRS for the year ended 31 December 2005. This transition did not require any adjustments to the comparative year. The Society did not elect to apply for exemptions as set out in IFRS, nor were there any exceptions applied by the Society.

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005 (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>
2005	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
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

2004

Cost	546 795	14 828	2 861 660	2 093 346	5 516 629
Opening balance	386 270	14 828	2 499 688	2 051 606	4 952 392
Additions (Net of write-offs)	160 525	-	361 972	41 740	564 237
Accumulated depreciation	322 999	14 827	2 224 989	1 403 951	3 966 766
Opening balance	217 654	14 827	1 674 203	1 024 578	2 931 262
Depreciation for the year (Net of write-offs)	105 345	-	550 786	379 373	1 035 504
CARRYING BOOK VALUE	223 796	1	636 671	689 395	1 549 863

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 2005 (continued)

2. TANGIBLE AND INTANGIBLE ASSETS (CONTINUED)

SOCIETY

	<u>Furniture, fittings and equipment</u>	<u>Computer equipment</u>	<u>Computer software</u>	<u>Total</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
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
2004				
Cost	245 473	2 452 132	1 991 710	4 689 315
Opening balance	218 950	2 307 421	1 991 710	4 518 081
Additions	26 523	144 711	-	171 234
Accumulated depreciation	124 470	1 871 803	1 323 262	3 319 535
Opening balance	103 842	1 521 819	987 242	2 612 903
Depreciation for the year	20 628	349 984	336 020	706 632
CARRYING BOOK VALUE	121 003	580 329	668 448	1 369 780

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 2005 (continued)

	<u>Group</u>		<u>Society</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>R</u>	<u>R</u>	<u>R</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>

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

	<u>3 333 193</u>	<u>3 553 004</u>	<u>-</u>	<u>-</u>
--	------------------	------------------	----------	----------

5. AMOUNTS RECEIVABLE FROM RELATED PARTIES

Loans rendered

Benefit Society Dispensary (Proprietary) Limited

- - 1 089 943 1 117 151

Hobbes and Associates Incorporated

- - 709 896 800 754

- - 1 799 839 1 917 905

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

	<u>Group</u>		<u>Society</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
6. TRADE AND OTHER RECEIVABLES				
Recoveries from members for co-payments	2 838 781	2 623 835	1 490 519	1 661 531
Net third party claims	-	-	-	-
Third party insurance claims	-	2 754 898	-	2 754 898
Less: Provision for non-recoverability	-	(2 754 898)	-	(2 754 898)
Other receivables	684 029	1 661 497	1 112 044	657 969
Indebtedness by subsidiaries	-	-	29 816	306 775
	<u>3 522 810</u>	<u>4 285 332</u>	<u>2 632 379</u>	<u>2 626 275</u>

At 31 December 2005 the carrying amounts of accounts receivable approximate their fair values due to the short-term maturities of these assets.

7. HELD-TO-MATURITY: 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 7,05% and 9,15% (2004: 7,5% and 9,15%) and their carrying values at 31 December 2005 approximate their fair values due to the short-term maturities of these deposits.

Investment at beginning of the year	196 357 618	148 200 748	196 357 618	148 200 748
Interest received and accrued	18 357 962	16 010 783	18 357 962	16 010 783
Withdrawal	(19 448 670)	(10 353 913)	(19 448 670)	(10 353 913)
Invested	<u>67 000 000</u>	<u>42 500 000</u>	<u>67 000 000</u>	<u>42 500 000</u>
Investment at end of the year	<u>262 266 910</u>	<u>196 357 618</u>	<u>262 266 910</u>	<u>196 357 618</u>

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

	<u>Group</u>		<u>Society</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
8. CASH AND CASH EQUIVALENTS				
Current accounts	17 283 114	25 138 412	17 328 778	25 163 927
Cash on hand	3 750	2 750	100	100
	<u>17 286 864</u>	<u>25 141 162</u>	<u>17 328 878</u>	<u>25 164 027</u>

At 31 December 2005 the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

9. TRADE AND OTHER PAYABLES

Contributions received in advance	19 455 216	16 662 979	19 455 216	16 662 979
Sundry accounts payable	5 501 475	7 723 970	3 057 207	4 272 799
	<u>24 956 691</u>	<u>24 386 949</u>	<u>22 512 423</u>	<u>20 935 778</u>

At 31 December 2005 the carrying amounts of accounts payable approximate their fair values due to the short-term maturities of these liabilities.

10. POST RETIREMENT LIABILITY

The Society contributes towards the post retirement medical aid contributions of eligible employees employed by the group as at 31 December 2005. The actuarial valuation to determine the liability is performed annually.

Medical liability

Liability at the beginning of the year	4 756 000	-	4 756 000	-
Expenses in respect of previous years	-	3 992 000	-	3 992 000
Expenses in respect of the current year	143 500	764 000	143 500	764 000
Benefits paid	(302 000)	(264 000)	(302 000)	(264 000)
Service cost	150 000	141 000	150 000	141 000
Interest cost	420 000	393 000	420 000	393 000
Actuarial gain/(loss)	(124 500)	494 000	(124 500)	494 000
Liability at the end of the year	<u>4 899 500</u>	<u>4 756 000</u>	<u>4 899 500</u>	<u>4 756 000</u>
Post retirement medical payments	<u>130 207</u>	<u>94 507</u>	<u>130 207</u>	<u>94 507</u>

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

	<u>Society</u>	
	<u>2005</u>	<u>2004</u>
Assumed rate of return	9.0%p.a.	9.0%p.a.
Assumed rate of contribution increases	6.3%p.a.	6.3%p.a.
Assumed net discounted rate	2.5%p.a.	2.5%p.a.

Pension liability

A majority of the employees of the Society and its subsidiaries belong to the De Beers Pension Fund. The De Beers Pension Fund is a defined benefit fund. The Fund is funded. It is noted that the Society's employees represent 0,3% of the total members in the De Beers Pension Fund.

Extraction from the De Beers Pension Fund which represents all employees that are in the Fund

	<u>2005</u>	<u>2004</u>	<u>2003</u>
	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>
Benefit obligations	8,143,234	7,342,920	6,629,560
Market value of assets	<u>10,869,834</u>	<u>8,216,347</u>	<u>6,775,480</u>
Funded position	2,726,600	873,427	145,920
Balance sheet restriction	<u>(2,726,600)</u>	<u>(873,427)</u>	<u>(145,920)</u>
Net Funded position	-	-	-
Experience adjustment on liabilities: loss/(gain)	<u>286,099</u>	934,737	216,940
Experience adjustment on assets: gain/(loss)	<u>2,509,536</u>	1,025,396	(305,075)

There have only been 3 disclosures for the years ended 31 December

	<u>Group</u>		<u>Society</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>

11. OUTSTANDING CLAIMS PROVISION

Balance at beginning of the year	18 937 229	15 930 825	18 937 229	15 930 825
Payments in respect of prior year	<u>(11 946 253)</u>	<u>(13 094 047)</u>	<u>(11 946 253)</u>	<u>(13 094 047)</u>
Overprovision in respect of prior year	6 990 976	2 836 778	6 990 976	2 836 778
Adjustment for current year	9 009 024	16 100 451	9 009 024	16 100 451
Balance at end of year	<u>16 000 000</u>	<u>18 937 229</u>	<u>16 000 000</u>	<u>18 937 229</u>

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

OUTSTANDING CLAIMS PROVISION (continued)

Process used to determine the assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. There is more emphasis on current trends, and where in early years there was insufficient information to make a reliable best estimate of claims development, prudent assumptions were used.

Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from managed care management services and historical evidence of the size of similar claims. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provision estimation difficulties also differ by category of claims (i.e. in-hospital and chronic benefits) due to differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The cost of outstanding claims is estimated using a range of statistical methods such as the Chain Ladder and Bornhuetter Ferguson methods. Such methods extrapolate the development of paid and incurred claims, average cost per claims and ultimate claim numbers for each benefit year based upon observed development of earlier years and expected loss ratios. Run off triangles are used in situations where it takes time after the treatment date until the full extent of the claims to be paid is known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in the known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The actual method or blend of methods used varies by benefit year being considered, categories of claims and observed historical claims development. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development / recording of claims paid and incurred (such as changes in claim reserving procedures);
- economic, legal, political and social trends (resulting in different than expected levels of inflation and/or minimum medical benefits to be provided);
- changes in composition of members and their dependants; and
- random fluctuations, including the impact of large losses.

Assumptions

An average price increase of 7% for all claim categories (including hospitalisation tariff and non – tariff items, medicine, and professional medical fees) was assumed. The valuation model incorporates the effect of ageing of the population on the utilisation of health services. Utilisation escalation has been provided for at a level of 2% (over and above the effect of ageing) to provide for the so-called “technology effect” as well as the impact on HIV/AIDS.

Changes in assumptions and sensitivities to changes in key variables

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of changes to that variable may be required in the future.

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

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

	<u>Group</u>		<u>Society</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
12. GROSS CONTRIBUTION INCOME				
Continuing operations				
Gross contributions	<u>231 181 825</u>	<u>217 789 726</u>	<u>231 181 825</u>	<u>217 789 726</u>
13. NET CLAIMS INCURRED				
Claims paid and reported	132 395 578	126 196 502	132 395 578	126 196 502
Own facility claims paid and reported	<u>37 960 530</u>	<u>37 066 939</u>	<u>37 960 530</u>	<u>37 066 939</u>
Gross claims paid and reported	<u>170 356 108</u>	<u>163 263 441</u>	<u>170 356 108</u>	<u>163 263 441</u>
Less:				
Discount received on claims	<u>(2 514 700)</u>	<u>(1 386 317)</u>	<u>(2 514 700)</u>	<u>(1 386 317)</u>
	<u>167 841 408</u>	<u>161 877 124</u>	<u>167 841 408</u>	<u>161 877 124</u>
Add:				
Adjustment for outstanding claims provision (note 11)	<u>9 009 024</u>	<u>16 100 451</u>	<u>9 009 024</u>	<u>16 100 451</u>
	<u>176 850 432</u>	<u>177 977 575</u>	<u>176 850 432</u>	<u>177 977 575</u>
14. MANAGED CARE – MANAGEMENT SERVICES				
Chronic medication programme	-	397 217	-	397 217
Hospital pre – authorisation	<u>452 934</u>	<u>453 365</u>	<u>452 934</u>	<u>453 365</u>
Oncology protocols	<u>6 441</u>	<u>-</u>	<u>6 441</u>	<u>-</u>
	<u>459 375</u>	<u>850 582</u>	<u>459 375</u>	<u>850 582</u>

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

	<u>Group</u>		<u>Society</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
15. ADMINISTRATION EXPENSES				
Staff costs	5 352 385	4 904 757	5 352 385	4 904 757
Principal Officer's remuneration	468 181	426 902	468 181	426 902
Depreciation / Write-offs	770 701	706 632	770 701	706 632
Audit fees - Audit services	105 752	92 627	105 752	92 627
Trustees' expenses	185 034	111 304	185 034	111 304
Fidelity insurance	71 196	37 848	71 196	37 848
Medical administration system	3 420 000	3 282 653	3 420 000	3 282 653
Registrar's levies	102 686	101 233	102 686	101 233
Other expenses	2 999 563	3 147 541	2 999 563	3 147 541
	<u>13 475 498</u>	<u>12 811 497</u>	<u>13 475 498</u>	<u>12 811 497</u>

DE BEERS BENEFIT SOCIETY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

ADMINISTRATION EXPENSES (continued)
TRUSTEES' REMUNERATION

	Fees for meeting attendance	Conference fee	Travelling cost	Total
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
2004				
R M Crawford	-	-	5 566	5 566
R W Ketley	-	-	5 566	5 566
S M Brown (appointed 10 March 2004)	-	-	5 565	5 565
L Coetzee	-	-	5 565	5 565
T G Baldwin	8 600	4 350	15 087	28 037
B R Bishop (appointed 10 March 2004)	4 350	4 350	25 840	34 540
J H Britz	-	-	17 294	17 294
S D Martin	-	-	7 721	7 721
W Endersby (resigned 10 March 2004)	-	-	-	-
D J du Plessis Smith (Resigned 29 April 2004)	-	-	-	-
H P Kerby (resigned 29 April 2004)	1 450	-	-	1 450
	14 400	8 700	88 204	111 304

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 2005 (continued)

	<u>Group</u>		<u>Society</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
16. INVESTMENT INCOME				
Interest from short-term bank deposits and bank balances	<u>18 357 962</u>	<u>16 010 783</u>	<u>18 357 962</u>	<u>16 010 783</u>
17. RESULTS OF OWN FACILITY OPERATIONS				
Sales	40 228 050	38 740 130	-	-
Cost of sales	<u>(34 399 383)</u>	<u>(33 149 546)</u>	-	-
Gross profit	5 828 667	5 590 584	-	-
Less: Administration expenses	5 828 667	5 590 584	-	-
Staff costs	4 347 145	4 057 884	-	-
Depreciation/Write-offs	152 302	100 696	-	-
Audit fees - Audit services	23 376	19 495	-	-
Other expenses	1 305 844	1 412 509	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The Society provides medicine to its members from their own facilities.				
18. BAD DEBTS				
Members' and service providers' portions	<u>78</u>	<u>(1 924)</u>	<u>78</u>	<u>(1 924)</u>
19. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES				
Net surplus for the year	58 611 060	37 402 931	58 611 060	37 402 931
Adjusted for:				
Depreciation / Write-offs	923 003	1 035 504	770 701	706 632
Investment income	<u>(18 357 962)</u>	<u>(16 010 783)</u>	<u>(18 357 962)</u>	<u>(16 010 783)</u>
Operating surplus before working capital changes	<u>41 176 101</u>	<u>22 427 652</u>	<u>41 023 799</u>	<u>22 098 780</u>

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) **FOR THE YEAR ENDED 31 DECEMBER 2005**

20. 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.

21. 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.

22. LIQUIDITY RISK MANAGEMENT

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

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

In the process of applying the Society's accounting policies, management has made no material judgements, except for the post retirement liability (see note 10) and claims provision (see note 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 2005

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 minimize potentially adverse effects on the financial performance of the investments that the Society holds to meet its obligations to its members.

Risk management and investment decisions are made under the guidance and policies approved by the Board of Trustees. The Trustees identify, evaluate and economically hedge (where appropriate) financial risks associated with the Society's investment portfolio. The investment committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity. The Board of Trustees approves all of these written policies.

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. The South African Rand strengthened against the major currencies during the year under review.

Interest rate risk

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

Returns on interest-bearing instruments have declined in the current year due to the declining interest rate market.

The table below summarises the Society's exposure to interest rate risk. Included in the table are the Society's investments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Institutions	2005	2004
	R	R
ABSA	78 000 000	59 500 000
Investec	76 500 000	34 000 000
FNB	45 000 000	30 000 000
Nedbank	33 000 000	42 000 000
Standard Bank	20 000 000	20 000 000
	<u>252 500 000</u>	<u>185 500 000</u>

DE BEERS BENEFIT SOCIETY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

25. 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 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 offered below:

- In-hospital benefits cover all cost incurred by members, whilst they are in hospital to receive pre-authorised 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.

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.

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 in the preferred provider network agreement. The Society does not incur any cost regarding the ER24 service.

26. 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.

DE BEERS BENEFIT SOCIETY

MINUTES OF THE ONE HUNDRED AND SIXTEENTH ANNUAL GENERAL MEETING OF MEMBERS HELD IN THE DOWNSTAIRS BOARDROOM AT DE BEERS HEAD OFFICE, STOCKDALE STREET, KIMBERLEY ON 25 APRIL 2005.

CHAIRMAN

Mr R M Crawford, the 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:

Messrs: R W Ketley, T Sadik, S D Martin, B R Bishop, L Coetzee, P R Welsh, J H Britz and S Brown.

MINUTES

The minutes of the 115th Annual General Meeting held on 29 April 2004 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 2004, be taken as read.

The Chairman then proposed that the Trustee's report and the financial statements of the Society for the year ended 31 December 2004 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 an auditor had been received, it was unanimously resolved that PricewaterhouseCoopers be re-appointed as the Society's auditors for the ensuing year.

ALLOWANCE FOR PENSIONER TRUSTEES

It was resolved that an amount of R2 000.00 be paid as an honorarium to retired member elected Trustees per meeting they attend.

