

ANNUAL FINANCIAL STATEMENTS

**BOARD OF HEALTHCARE FUNDERS
OF SOUTHERN AFRICA**
**(Incorporated under Section 21 of the Companies
Act)**

AT

31 DECEMBER 2002

**BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2002**

DIRECTORS	BA Brink	JD Krige
	B Brooks	S Matisonn
	MT Chaora	PW Mboniso
	E Delport	MM Oosthuizen
	B Dick	A Rijnen
	A Fair	HC Schäfer
	RP Gush	MCT Schultz
	H Heydt	J Seoloane
	B Hlatshwayo	B Swartzberg
	LM Kearns	PM Tlhabi
	B Khan	

NATURE OF BUSINESS "To promote the interest of its members as medical schemes with a view to an efficient access of their subscribing members to health care benefits."

SECRETARY AJ Kreft

AUDITORS Ernst & Young

COMPANY REGISTRATION NUMBER 2001/003387/08

REGISTERED OFFICE	Wanderers Office Park 52 Corlett Drive Illovo 2196	PO Box 2322 Johannesburg 2000
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CONTENTS	Page
Report of the independent auditors	2
Report of the directors	3 - 4
Income statement	5
Balance sheet	6
Cash flow statement	7
Statement of changes in equity	8
Notes to the financial statements	9 - 18

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 3 to 18 were approved by the board of directors on 23 June 2003.

Signed on behalf of the board by:

DIRECTOR

DIRECTOR

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA

We have audited the annual financial statements of Board of Healthcare Funders of Southern Africa set out on pages 3 to 18 for the year ended 31 December 2002. These financial statements are the responsibility of the company's directors. Our responsibility is to report on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that 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,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material aspects, the financial position of the company at 31 December 2002, and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Going concern

Without qualifying our opinion above, we draw your attention to the note on going concern in the directors' report which indicates that the company's ability to continue as a going concern could be affected by the outcome of two litigation cases. This indicates the existence of uncertainty, which may cast doubt about the company's ability to continue as a going concern.

REGISTERED ACCOUNTANTS AND AUDITORS
CHARTERED ACCOUNTANTS (SA)
23 June 2003
Johannesburg

**BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)**

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2002**

BUSINESS AND OPERATIONS

The company promotes the interest of its members as medical schemes with a view to and efficient access of their subscribing members to health care benefits. The business and operations of the company during the year under review continued as in the past and we have nothing further to report thereon.

FINANCIAL RESULTS

The results of the company and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require further comments.

FIXED ASSETS

There has been no change in the nature of fixed assets nor in the policy regarding their use.

DIRECTORS AND SECRETARY

Changes in the composition of the board during the year were as follows:

Appointed during the year

S Matisonn (24 April 2002)
B Swartzberg (24 April 2002)
H Phillips (24 April 2002)

Resigned

B Nkosi (24 April 2002)
KPC Hollis (24 April 2002)
Y Motsisi (24 April 2002)

At the general meeting held on 7 May 2002 in Swakopmund, Namibia the following changes to the composition of the board of directors took place:

Remained in office	Eligible for re-election and re-elected	Resigned	Newly appointed
BA Brink	B Brooks	AKA Dasoo	RP Gush
A Fair	B Dick	JA de Klerk	H Heydt
LM Kearns	B Hlatshwayo	A Gore	PW Mboniso
B Khan	S Matisonn	H Phillips	HC Schäfer
MM Oosthuizen	JD Krige		
A Rijnen	B Swartzberg		
J Seoloane	MCT Schultz		
E Delpont			
MT Chaora			
PM Tlhabi			

Particulars of the present directors and secretary are given on page 1.

GOING CONCERN

The company's ability to continue as a going concern could be affected by the outcome of the two litigation cases mentioned below. Accordingly, the financial statements do not include any adjustments, relating to the recoverability and classification of assets or to the amounts and classification of liabilities that might be necessary if the company is unable to continue as a going concern.

**BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)**

GOING CONCERN (continued)

Practice Code Numbering System

In December 2000 Bestmed Medical Scheme advised BHF that Bestmed were of the opinion that BHF did not own the copyright to the Practice Code Numbering System. BHF sought legal advice on this claim and contested the claim made. In August 2001 Bestmed notified the BHF that, as Bestmed owned the PCNS, it was withdrawing the right of BHF to administer the PCNS and gave four month's notice to BHF to cease using the PCNS and to return it to Bestmed by end November 2001. BHF again sought legal advice upon the matter and contested the right of Bestmed to claim the system.

In terms of the Regulations to the Medical Schemes Act 1998, the Council for Medical Schemes has the power to authorise a neutral body to administer the practice numbering system. This authorisation was given to BHF in May 2001 to administer the PCNS until 1st June 2003. In January 2003 the authorisation was extended to 1st June 2006.

Bestmed took the right to ownership and administration of the PCNS to the High Court in October 2002. The case was heard on 26 March 2003, with judgement being given in favour of Bestmed. BHF launched an application for leave to appeal this decision and has in the meantime continued to administer the PCNS so as to ensure that there is no disruption in the healthcare industry. Leave to appeal was refused on 27 May 2003. The BHF then petitioned for leave to appeal with the Supreme Court in Bloemfontein on 17 June 2003. On the basis of the judgement, Bestmed immediately demanded a royalty from BHF for the use of PCNS from the date of termination of the right to use the system. Bestmed has subsequently issued a summons for R7.155 million on 13 June 2003. BHF is in the process of defending this claim.

The Council for Medical Schemes has advised the healthcare funding industry that it is not the business of a medical scheme to administer the PCNS and that a medical scheme's income may not be derived from royalties.

Medical Scale of Benefits Copyright

In 2001 the South African Medical Association advised BHF that it owned the copyright to the descriptors and codes to the medical scale of benefits. Since the 1980's both SAMA and BHF have published the separate scale of benefits, with the SAMA publication containing both the SAMA and BHF benefits.

The SAMA approach to BHF was to amend the publication arrangement, with the SAMA document being the only publication in future. Negotiations to this effect were not successful and, to avoid healthcare industry disruption, the Executive Committee decided to publish BHF scale of benefits for 2003. The dispute has not yet been resolved and BHF currently is considering the development of its own scale of benefits that would be considered to be in the public domain.

Conclusion

Should any of the above challenges be successful, BHF would need to raise additional levies or raise funding to honour such claims. The Board of Directors however do not believe that the matters stated above will affect BHF's ability to continue as a going concern.

EVENTS SUBSEQUENT TO YEAR END

No material fact or circumstance other than mentioned above has occurred between the accounting date and the date of this report.

BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	12 months ended 31 December 2002 R	10,5 months ended 31 December 2001 R
TURNOVER	2	11,939,111	9,158,264
Other income		2,577,582	1,576,415
Operating expenses		<u>(15,263,566)</u>	<u>(11,474,282)</u>
OPERATING DEFICIT	3&4	(746,873)	(739,603)
Interest received		677,009	570,638
Interest paid	5	<u>(14,948)</u>	<u>-</u>
NET DEFICIT BEFORE TAXATION		(84,812)	(168,965)
Taxation	6	<u>-</u>	<u>-</u>
NET DEFICIT FOR THE PERIOD FROM ORDINARY ACTIVITIES		(84,812)	(168,965)
EXTRAORDINARY ITEMS	7	<u>-</u>	<u>3,129,874</u>
NET (DEFICIT)/SURPLUS FOR THE PERIOD		<u>(84,812)</u>	<u>2,960,909</u>

BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 R	2001 R
ASSETS			
Non-current assets			
Fixed assets	8	1,073,650	1,172,555
Current assets		4,554,175	4,323,929
Inventories		116,416	94,191
Trade and other receivables	9	125,289	1,430,695
Bank balances and cash	10	4,312,470	2,799,043
Total assets		<u>5,627,825</u>	<u>5,496,484</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Accumulated funds	11	2,569,156	2,653,968
Current liabilities		3,058,669	2,842,516
Trade and other payables	12	1,217,438	2,185,297
Provisions	13	612,990	620,077
Income received in advance		1,228,241	37,142
Total equity and liabilities		<u>5,627,825</u>	<u>5,496,484</u>

BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	12 months ended 31 December 2002 R	10,5 months ended 31 December 2001 R
CASH FLOWS FROM OPERATING ACTIVITIES		1,831,764	4,347,700
Cash receipts from customers		13,244,517	7,727,569
Cash paid to suppliers and employees		<u>(12,074,814)</u>	<u>(3,950,507)</u>
Cash generated by operating activities	19.1	1,169,703	3,777,062
Interest received		677,009	570,638
Interest paid		(14,948)	-
CASH FLOWS FROM INVESTING ACTIVITIES		(318,337)	(1,548,657)
Investment to maintain operations			
Replacement of fixed assets	19.2	(323,529)	(1,536,185)
Proceeds on disposal of fixed assets		5,192	(12,472)
Net increase in cash and cash equivalents		1,513,427	2,799,043
Cash and cash equivalents at the beginning of the year	19.3	<u>2,799,043</u>	<u>-</u>
Cash and cash equivalents at the end of the year	19.3	<u><u>4,312,470</u></u>	<u><u>2,799,043</u></u>

BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002

	Accumulated funds R
Balance at 16 February 2001	-
Net surplus for the period	2,960,909
	<hr/>
Balance at 31 December 2001	2,960,909
Change in accounting policy	(306,941)
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Restated balance at 31 December 2001	2,653,968
Net deficit for the year	(84,812)
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Balance at 31 December 2002	<u>2,569,156</u>

BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002

1. ACCOUNTING POLICIES

The financial statements set out on pages 3 to 18 are prepared on the historical cost basis and incorporate the following principal accounting policies.

1.1 Foreign currencies

Foreign currency transactions are recorded at the exchange rate ruling on the transaction date. Assets and liabilities designated in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Foreign currency gains and losses are charged to the income statement.

1.2 Deferred taxation

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts on the balance sheet. Current tax rates are used to determine the deferred tax balance.

Deferred tax assets relating to assessed losses carried forward are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

1.3 Fixed assets

Fixed assets are depreciated on a straight line basis estimated to write each asset down to estimated residual value over the term of its useful life. Fixed assets purchased after the date of incorporation are depreciated at the following rates:

- Motor vehicles	20% p.a.
- Furniture and fittings	10% p.a.
- Office equipment	20% p.a.
- Computer equipment	33.33% p.a.
- Computer software	50% p.a.
- Leasehold improvements	16,67% p.a.

Surpluses and losses on disposal of fixed assets are charged to the income statement.

1.4 Inventories

Inventories are valued at the lower of cost, determined on the first-in first-out basis, and net realisable value.

1.5 Financial instruments

Financial instruments recognised on the balance sheet include cash and cash equivalents, trade debtors and trade creditors.

**BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002**

1.6 Provisions

Provisions are recognised where the company has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

1.7 Revenue recognition

Levy income from members and user income from the Practice Code Numbering System is accounted for on the accrual basis.

Revenue from the sale of Scale of Benefits books and compact disks is recognised when the significant risks and rewards of ownership are transferred to the buyer.

All other income is accounted for on the accrual basis.

Interest is recognised on a time proportion basis that takes into account the effective yield on the asset.

1.8 Post retirement benefits

Post retirement benefits are made up of those obligations which the company has towards current and retired employees.

Defined contribution fund

Contributions in respect of defined contribution plans are recognised as an expense in the year to which they relate.

Post retirement medical benefits

The cost of providing post retirement medical benefits is determined using the Mortality PA90 actuarial method.

The post retirement medical benefit contributions in respect of retired employees are charged to the income statement.

1.9 Comparatives

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

BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002

2. TURNOVER

Turnover consists of levy income from members, user income for the Practice Code Numbering System and sale of the Scale of Benefits books and compact disks.

	2002	2001
	R	R
Turnover comprises:		
Levy income	10,327,912	8,214,585
Practice Code Numbering System Income	1,429,159	745,873
Sales of BHF Scale of Benefits books and compact disks	<u>182,040</u>	<u>197,806</u>
	<u>11,939,111</u>	<u>9,158,264</u>

3. OPERATING DEFICIT

The operating deficit is stated after:

Expenses

Auditors' remuneration	170,195	84,085
- audit fee	75,000	48,355
- prior year under-provision	4,858	-
- other services	90,337	35,730
Production BHF Scale of Benefits books and compact disks	492,773	176,039
Depreciation	406,210	363,630
- on owned assets		
- Furniture and fittings	62,811	51,368
- Office equipment	56,216	51,567
- Computer equipment	193,897	167,333
- Computer software	35,072	42,788
- Leasehold improvements	58,214	50,574
Loss on disposal of:		
- fixed assets	11,032	12,472
Operating lease expense	682,349	473,526
- office equipment	112,570	84,276
- premises	569,779	389,250
Salaries	<u>6,282,597</u>	<u>4,789,269</u>

BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002

	2002 R	2001 R
4. DIRECTORS EMOLUMENTS		
Executive director		
- management of the company	1,057,702	769,375
- bonuses	95,500	235,904
Previous executive director		
- restraint of trade payment	443,440	-
	<hr/>	<hr/>
Total emoluments	1,596,642	1,005,279
	<hr/> <hr/>	<hr/> <hr/>
5. INTEREST PAID		
Interest paid on		
- post retirement medical benefit obligation	14,948	-
	<hr/> <hr/>	<hr/> <hr/>
6. TAXATION		
No taxation has been provided in respect of current tax in the current year as the company has no taxable income.		
7. EXTRAORDINARY ITEMS		
Surplus transferred from the non-profit association to the Section 21 company.		
(Tax effect : Nil - The previous non-profit association was exempt from income tax in terms of section 10 (1) (c) (B) of the Income Tax Act)	-	3,549,533
Provision for a "restraint payment" payable to the previous executive director as per the executive's employment agreement.		
(Tax effect : Nil - A provision is a temporary difference and will only be deductible once the liability has been settled)	-	(419,659)
	<hr/>	<hr/>
	-	3,129,874
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BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002

8. FIXED ASSETS

	2002			2001		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
<i>Owned assets</i>						
Motor vehicles	1	-	1	1	-	1
Furniture and fittings	521,243	114,020	407,223	522,355	51,368	470,987
Office equipment	230,136	97,713	132,423	201,440	51,567	149,873
Computer equipment	524,066	327,098	196,968	417,852	167,333	250,519
Computer software	201,125	77,860	123,265	71,979	42,788	29,191
Leasehold improvements	322,558	108,788	213,770	322,558	50,574	271,984
	1,799,129	725,479	1,073,650	1,536,185	363,630	1,172,555

The carrying amounts of fixed assets can be reconciled as follows:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
<i>Owned assets</i>					
Motor vehicles	1	-	-	-	1
Furniture and fittings	470,987	-	(953)	(62,811)	407,223
Office equipment	149,873	40,322	(1,556)	(56,216)	132,423
Computer equipment	250,519	154,061	(13,715)	(193,897)	196,968
Computer software	29,191	129,146	-	(35,072)	123,265
Leasehold improvements	271,984	-	-	(58,214)	213,770
	1,172,555	323,529	(16,224)	(406,210)	1,073,650
				2002 R	2001 R

9. TRADE AND OTHER RECEIVABLES

Trade receivables	17,243	1,332,658
Other receivables	8,601	12,805
Prepayments	89,650	85,232
Loan to director	9,795	-
	<u>125,289</u>	<u>1,430,695</u>

BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002

The loan to the managing director was made in December 2002 and was repaid in January 2003.

BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002

10. BANK BALANCES AND CASH

Included in bank balances and cash is an amount of R149 070 (ZIM \$924 176) relating to a bank account held in Zimbabwe. The official exchange rate used for conversion was R 0.1613 = ZIM \$1.

11. ACCUMULATED FUNDS

These funds are not distributable to constituent Members in the normal course of business and can be used to create a specific reserve.

	2002	2001
	R	R
12. TRADE AND OTHER PAYABLES		
Trade payables	601,287	1,741,837
Accruals	387,346	289,100
Other payables	228,805	132,359
	<u>1,217,438</u>	<u>2,163,296</u>
	<u><u>1,217,438</u></u>	<u><u>2,163,296</u></u>
13. PROVISIONS		
Provisions for leave pay		
Balance at beginning of year	313,136	-
Provision (utilised)/raised during year	<u>(22,035)</u>	<u>313,136</u>
Balance at end of year	<u>291,101</u>	<u>313,136</u>
Provisions for post employment medical benefits		
Balance at beginning of year	306,941	-
Provided during year	<u>14,948</u>	<u>306,941</u>
	<u><u>612,990</u></u>	<u><u>620,077</u></u>

BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002

14. CHANGE IN ACCOUNTING POLICY

During the year the company changed its accounting policy with respect to the treatment of post retirement benefits. In order to conform with the South African Statements of Generally Accepted Accounting Practice, the company now recognise an obligation for post retirement benefits in terms of the accounting statement on employee benefits, AC116. The comparative figures have been restated.

	2002	2001
	R	R
The effect of the restatement of opening retained profit in respect of this change in accounting policy is as follows:		
Gross amount	-	306,941
Taxation	-	-
Net amount per the statement of changes in equity	<u>-</u>	<u>306,941</u>

15. LEASE COMMITMENTS AND CAPITAL COMMITMENTS

Installments outstanding over operating lease agreements at year-end are as follows:

Approved by directors

- payable within 1 year	785,435	897,412
- payable thereafter	<u>1,880,351</u>	<u>3,591,045</u>
	<u>2,665,786</u>	<u>4,488,457</u>

Not included in the above amounts are future capital commitments authorised but only entered into after year end relating to fixed assets amounting to R142 500. To be financed by a 3 year lease.

16. CONTINGENT LIABILITIES

The company is currently defending two litigation cases brought against it by Bestmed involving the ownership of, and the payment of royalties for, the Practice Code Numbering System (PCNS). The details of such claims are described in the note on going concern in the directors' report (refer page 4).

Following the judgment against BHF in the Bestmed copyright dispute, dated 26 March 2003, as well as the subsequent application for leave to appeal this decision, Counsel has advised BHF that there is a possible loss of R300,000 for the costs of the costs order against BHF. This claim is however dependent on the outcome of the appeal and accordingly no provision for any liability has been made in these financial statements.

BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002

17. RETIREMENT BENEFIT INFORMATION

Defined contribution fund

The company continues to contribute to the Board Of Healthcare Funders Old Mutual Orion Pension Fund, a defined contribution plan. The fund is registered under and governed by the Pension Funds Act, 1956 as amended. Membership of the fund is not compulsory. Twelve percent of the company's employees belong to the defined contribution fund.

Post retirement medical benefits

The company operates a defined benefit medical aid scheme for the benefit of two retired employees. Post retirement medical benefits are provided to the employees by subsidising 12% of the medical aid contribution for one of the retired employees and 100% for the other employee. These benefits are unfunded.

Actuarial valuations were performed on 15 May 2003. Full provision has been made for the liability relating to retired employees.

The principal assumptions used in determining the post employment medical benefit obligation are:

Medical contribution escalation rate: 8% per annum

Discount rate: 10% per annum

	2002	2001
	R	R
Post retirement medical benefit net expense:		
Providing for the present value of the obligation	-	306,941
Interest cost on benefit obligation	14,948	-
Current year's contribution	<u>35,659</u>	<u>-</u>
Net benefit expense	<u>50,607</u>	<u>306,941</u>
Post retirement medical benefit obligation:		
Present value of obligation (included in provisions)	<u>321,889</u>	<u>306,941</u>
Movements in the benefit obligation during the year are as follows:		
Opening net obligation	306,941	-
Expense per income statement (as above)	50,607	306,941
Medical contributions paid by the company	<u>(35,659)</u>	<u>-</u>
	<u>321,889</u>	<u>306,941</u>

BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA
(Incorporated under Section 21 of the Companies Act)
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002

18. FINANCIAL INSTRUMENTS

Credit risk management

The company only deposits cash surpluses with major banks of high quality credit standing.

Fair value

The directors are of the opinion that the book value of financial instruments approximates fair value.

	12 months ended 31 December 2002 R	10,5 months ended 31 December 2001 R
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19. NOTES TO THE CASH FLOW STATEMENT

19.1 Reconciliation of net deficit to cash generated by operations

Net deficit	(84,812)	(168,965)
Adjustments:		
Depreciation	406,210	363,630
Loss on disposals of fixed assets	11,032	12,472
Extraordinary items	-	3,129,874
Interest received	(677,009)	(570,638)
Interest paid	14,948	-
Decrease in provision for warranties	(7,087)	-
	<hr/>	<hr/>
	(336,718)	2,766,373
Decrease in working capital	1,506,421	1,010,689
Increase in inventories	(22,225)	(94,191)
Decrease/(increase) in accounts receivable	1,305,406	(1,430,695)
Increase in accounts payable and income received in advance	223,240	2,535,575
	<hr/>	<hr/>
Cash generated by operations	<u>1,169,703</u>	<u>3,777,062</u>

12 months ended 31 December 2002 R	10,5 months ended 31 December 2001 R
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**19. NOTES TO THE CASH FLOW STATEMENT
(continued)**

19.2 Replacement of fixed assets

Motor vehicles	-	1
Furniture and fittings	-	522,355
Office equipment	40,322	201,440
Computer equipment	154,061	417,852
Computer software	129,146	71,979
Leasehold improvements	-	322,558
	<u>323,529</u>	<u>1,536,185</u>

19.3 Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Bank balances and cash	<u>4,312,470</u>	<u>2,799,043</u>
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